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ORGANIZATION, STRUCTURE, AND DECISIONMAKING PROCEDURES OF THE DEPARTMENT OF DEFENSE

THURSDAY, JULY 28, 1983

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.

The committee met in open session, pursuant to notice, at 10:05 a.m., in room SD-138, Dirksen Senate Office Building, Senator John Tower (chairman) presiding.

Members present: Senators Tower, Thurmond, Goldwater, Cohen, Jepsen, Quayle, Jackson, Nunn, Exon, Levin, and Bingaman.

Staff present: Alan R. Yuspeh, general counsel; Paul C. Besozzi, minority counsel; Brenda K. Hudson, assistant chief clerk; Willis D. Smith, deputy staff director and chief scientist for the minority; Michael B. Donley, Richard D. Finn, George K. Johnson, Jr., James R. Locher III, David S. Lyles, and José E. Martinez, professional staff members; Drew Harker and Judith A. Freedman, research assistants; Marie Chaillet, Karen A. Love, Patricia Watson, and Toni D. White, staff assistants.

Also present: Dennis P. Sharon, assistant to Senator Goldwater; John Campbell, assistant to Senator Warner; Ron Kelly, assistant to Senator Humphrey; Jim Dykstra, assistant to Senator Cohen; Robbert Savitt, assistant to Senator Cohen; Jon Etherton, assistant to Senator Jepsen; Hank Steenstra, assistant to Senator Quayle; John Roddy, assistant to Senator East; Mark J. Albrecht, assistant to Senator Wilson; Frank Sullivan and Mary A. Shields, assistants to Senator Stennis; Arnold L. Punaro, assistant to Senator Nunn; Greg Pallas, assistant to Senator Exon; Peter D. Lennon, assistant to Senator Levin; Joe Kruzel, assistant to Senator Kennedy; and Ed McGaffigan, assistant to Senator Bingaman.

OPENING STATEMENT BY SENATOR JOHN TOWER, CHAIRMAN

Chairman TOWER. The committee will come to order.

The committee meets this morning to begin a series of hearings on organization, structure, and decisionmaking procedures of the Department of Defense.

These hearings were announced last month, and I am most pleased with the interest that has been shown in this subject. I think that the interest of members of the committee and the Senate, the public, and the press in these hearings reflects the fact that effective defense organization is an essential element for insuring our national security.

There are few management challenges that compare with the responsibility of managing our national defense resources. Our military includes more than 2 million active forces, more than 1 million civilians, and literally thousands of installations and facilities throughout the world.

Our forces are equipped with extraordinarily varied weapons and logistical necessities, all of which must be designed, procured, deployed, maintained, and utilized with efficiency.

The task of determining the types of Armed Forces we need to protect our security, the manner in which these forces should be equipped, the desired plan for stationing throughout the world, the training that is needed, and all of the attendant logistical considerations are awesome.

I am convinced that how well we do these things is largely a function of how sensibly organized we are to do them.

In June, I announced these hearings would touch on a number of issues. Though the list may seem ambitious, it is my intention that the committee consider questions of centralization in decisionmaking, staff sizes, unnecessary duplication, civilian control as it relates to professional military judgment, the effectiveness of the Joint Chiefs of Staff as military advisers, the functioning of the unified commands in peacetime and under mobilization, budget formulation, procurement, weapons testing, and organizational relationships between DOD and other Government agencies involved in national security planning.

The reason these hearings will sweep so broadly is that each of these subjects is, in my view, an inseparable part of an integrated whole.

It makes no sense, for example, to consider how budgets are formulated without considering the extent to which the Joint Chiefs of Staff and unified commanders should be consulted on critical issues of resource allocation.

It makes no sense to discuss procurement problems without considering in what organizational element of either DOD or a service the procurement responsibility resides. I think it is time for this committee to look comprehensively at the DOD structure and to assess whether or not that structure facilitates the formulation of a sound national security policy and the execution of that policy.

We are pleased to have with us this morning as the lead witness in these hearings the Secretary of Defense. Caspar Weinberger has served as Secretary throughout the Reagan administration, and I believe he has performed admirably in that position.

I want to emphasize this morning, to avoid any misunderstanding, that I do not see these hearings as an evaluation of Secretary Weinberger or his predecessors. The problems we shall consider in these hearings are institutional problems; they are problems of a massive organization that has evolved over the years.

Let me say this is not an adversarial proceeding. Our intent is to gather information. This is the beginning of an extensive inquiry; we are interested in facts. It will be conducted in an objective and I hope nonpartisan spirit.

I would make one final preliminary point. I recognize it has been some time since Secretary Weinberger has appeared before our committee. I am also aware members of the committee have many concerns unrelated to the subject of this hearing about which they would like to question the Secretary.

A number of members have requested a hearing on Central America, and we will have such a hearing in the very near future with appropriate witnesses. I would, therefore, ask members today to restrict their questions to the subject of this hearing, which is certainly a subject of critical importance to national defense.

Mr. Secretary, we are delighted to have you with us today. Other members of the committee will be arriving in due course. We will let you proceed as you see fit, but, first, let me defer to Senator Goldwater.

Senator **Goldwater**. I apologize for having to ask this, Mr. Secretary, because I have some problems that will take me elsewhere. I won't be long on this.

First, I want to congratulate Senator Tower for holding these hearings. I think they are long, long, long overdue, maybe as long as 50 years by the time we get this thing straightened out.

I want also to congratulate you on the job you have done. I don't think we can criticize you one bit. Although there have been things going on that we can criticize, they don't necessarily make Cap Weinberger the rascal that started them.

While I do not want to be specific at this time, I have one overriding question that I am going to pursue and hope to have adequate witnesses to back me up.

The question is, can we, as a country, any longer afford the 207-year-old concept that in military matters the civilian is supreme? Without any disrespect to you or the civilians on your staff, for all of these hundreds of years we have allowed civilians to, in effect, run our wars.

We have some old saying wandering around someplace, "Don't let Generals run wars." We have lost the last two wars we have fought because they have been run by civilians in Washington. These civilians are thousands of miles away from combat and have no concept of combat.

Now, I realize the sanctity of the idea of the civilian being supreme. It is a beautiful thing to think about. The question in my mind is, can we any longer afford to allow the expertise of men and women trained, at terrific expense, in what I consider to be the finest military academies in the world, to be set aside for the decisions of the civilians whose decisions have not been wrapped in war.

We lost Korea, no question about that, because we did not let the military leadership exercise military judgment. We lost in Vietnam. There is no question in my mind about that, because, like the chairman, I was over there many times. When you are flying a mission and you see a target and you ask the pilot, "Let us go down and hit that thing," and he says, "We can't, we have to take a picture of it and send it back to Washington," that is a heck of a way to run a war.

If that is the way we are going to do it in the future, I think we are in trouble. That is the No. 1 question I am going to pursue.

I have some other questions. One would be wrapped up in the thing I have been talking about, a national strategy. You and I have talked about that. We don't have a national strategy. It is almost impossible for the average American to wrap his thinking around any central theme relative to Central America.

In fact, we were talking last night about war and I said just for the heck of it, "How many of you people in this room were alive in World War I?" I think there were two of us.

I said, "Do any of you remember why World War I started?" I barely did.

Why did World War II start?

There were a few more who understood that when discussing Vietnam and Korea, Americans don't understand why wars start, and they don't understand what we are going to do in the context of the strategy.

I hope that between the time you have now until the expiration of the second term of President Reagan that you can come up with some kind of a national strategy developed by academics and military people, so the American citizen can have an idea just what we are going to do when somebody starts shooting at us.

Mr. Chairman, I thank you for letting me make that statement.

I apologize; I cannot stay. I have other meetings I have to attend.

I didn't have the opportunity the other day to adequately thank you. You did a superb job on the floor.

Thank you.

Chairman Tower. Thank you, Senator.

Mr. Secretary, you may read your statement in its entirety or submit it for the record and summarize. In any case, you may include any supporting material you want to submit for the record.

STATEMENT OF HON. CASPAR W. WEINBERGER, SECRETARY OF DEFENSE

Secretary Weinberger. Thank you, Mr. Chairman.

I will ask to have my statement put in the record. I will summarize as quickly as possible in the interest of having as much time devoted to an opportunity to try to respond to your questions.

Senator Goldwater's questions are certainly extraordinarily important. I will try to respond to those as soon as I complete the statement, Mr. Chairman.

I am delighted the hearings are being held. You have identified very clearly, Mr. Chairman, the size and the importance of the management task and the organizational structure that should be in place to help us carry out that task and I am very pleased to have the opportunity to talk with you about these things and particularly appreciated your kind comments and Senator Goldwater's comments about the way in which we try to carry out these responsibilities.

The determination of national security goals and priorities and programs, of course, involves not just our Department, but many other institutions starting and finishing with the President, the Department of State, and the National Security Council.

As the senior element in this system, the Security Council has to have its deliberations carried foward by a series of interagency and group meetings. Then we necessarily have and should have a partnership between the executive branch and Congress. The Constitution charges the Congress with the responsibility to provide for the common defense, raise and support armies, provide and maintain a Navy, and make rules for the Government for regulation of land and naval forces.

We feel very strongly that there are ways in which we can improve the partnership and I hope to go into some of those during the course of these hearings.

Senator Tower in his announcement of the hearings asked about the philosophy that one brings to the management of an organization like the Department of Defense. I think mine can be summed up very simply as one that tries to stress a proper balance between centralized policy formulation and decentralized program execution and getting the job done in the quickest possible time with the least possible expenditure of public moneys.

In prescribing a centralized approach to policy formulation, I believe there has to be participation by those who will be responsible for executing it. When I arrived I decided rather quickly that we needed to rebalance some of the responsibilities and I particularly tried to strengthen the role of the services.

Many studies of the past talked about abolishing these positions, consolidating everything, having a single general staff. I didn't agree with these and we moved swiftly to buttress the authority of the service Secretaries and allow them, therefore, to function as line managers in executing their service programs. This was not new.

It is the same thing I tried to do in other positions I have held in the Government starting with the Federal Trade Commission and certainly including the Department of Health, Education, and Welfare.

The major step that we took was to make the service Secretaries members of the Defense Resources Board, which is more or less the board of director of the Defense Department. It is a body of senior officials who advise the Deputy Secretary and me on the major resource decisions of the Department.

It is not enough, of course, to consult more widely with those in Washington. We also wanted to hear from people who have the direct and immediate responsibility, and those are our major commanders, the commanders in chief in the field. They have their own priorities which it seemed to me, in the past have frequently not been consulted.

So twice a year the commanders of the Unified and Specified Commands come in and meet with us as a group before the Defense Resources Board and state their priorities.

It is always interesting and gratifying to me that their highest priority, and it is why they are such good commanders, is the welfare of their men and the steps necessary to improve the quality of life and the conditions of troops serving under them. That is a formal hearing and they make formal presentations.

I also get quarterly written reports from each of the commanders and meet many of them informally in their commands or here in Washington when they are here from time to time on other matters. They offer their advice on the guidance that should be given to the military department and their evaluation of existing programs, weapon systems and other matters.

I think it is essential that this continue and I am told this is one of the first times that there has been this degree or quality of liaison, discussion, and consultation back and forth between the Secretary and the commanders in the field.

Also, I think it is essential that we have the advice, the very candid and direct advice, of the Joint Chiefs. We have that on both our priorities of resources and programs. I also have the Chairman's personal advice, not just as the head of the Joint Chiefs, but in his own right as the Nation's senior serving military officer.

There has been a great debate, quite properly, about the role of the Joint Chiefs and their organization. I recommended a few steps to Congress which I think will improve both, but the debate has overlooked a most important issue—how frequently and how fully the Secretary of Defense consults with the Joint Chiefs and with their representative, the Chairman.

I think it is important that this be done on a very regular and continuous basis and this is a lot more important than any sort of tidy table of organization or wiring diagram or whatever we want to call them that try to force this type of consultation.

I meet with the Chairman, General Vessey, or the Acting Chairman, if he is away, at least once every day, usually more often than that at a regularly scheduled session, and I meet with the Joint Chiefs as a body at least once a week. I rely on the Joint Chiefs for military advice on a range of issues that I think transcend those with which their predecessors have normally dealt.

It includes a number of weapon systems, relative to priorities among competing claims, the whole budget process and the presentation of matters to Congress and to the public.

The Joint Chiefs have asked me to tell you, and you will, of course, want to talk with them directly, that this is a consultative process that is working extremely well and they have a better opportunity to offer their advice than had been true in many years during their long experience.

This does not mean I accept every recommendation I receive, and it does not mean that we necessarily agree on every issue, but an open and frank dialog is essential if the Department is to be managed well.

On the Defense Resources Board that I mentioned we broadened and increased the scope of that group. We begin by listening to, as I said, the most senior military officers and the Commanders in Chief and the Joint Chiefs on what are their priorities and what we have to do to meet them. All of that discussion is focused around an earlier document called the defense guidance that is prepared with the most thorough consultation within the Department, the National Security Council and the State Department. It outlines our objectives and our priorities for the military departments.

It goes back to the basic interests of the Nation, what it is we have to preserve, what our priorities have to be in preserving that and where we have to try to deploy our strengths in a world not of our own making, where there is a very considerable and growing strength potentially lodged against them.

In the formulation of policy we have stressed central direction, but consultations with those who must execute it. Since I do think that execution must be decentralized and people who have important tasks be given the authority and resources to carry those out under proper supervision, I also believe it has to be monitored and the policy itself has to be centralized so that they can get clear direction that results from coordinated and consultative activity at the top.

I am convinced of something I learned a long time ago, that things are done best if the top management checks frequently.

The number of our weapons systems is very great. The development of these systems has caused all kinds of problems over the years. Some have been late and some have been over budget, although not nearly as many as one would expect.

So, on those programs, the ones that are most critical, I have either biweekly or monthly meetings on a face-to-face basis with the actual program managers, the people in charge of developing those programs.

The two basic questions are: Is the project on time? Is it within the budget? If not, why not, and what can we do about it?

I have found they have been extremely useful meetings and they are continuing. As we add new systems to the groups they are examined regularly whenever a system gets large enough or gets critical enough so that it has to be watched on that kind of basis.

We instituted a council on integrity and management improvement chaired by the Deputy Secretary of Defense to watch over acquisition policies and assure that we get the maximum value for our dollar.

I have insisted that the Defense Systems Acquisition Review Council, chaired by the Under Secretary of Defense for Research and Engineering, Dr. DeLauer, be integrated with the deliberations of the Defense Resources Board so that the whole system of acquisition and development of weapons will be based on the knowledge of the available resources and where the directors of the Department, so to speak, think is the most essential place for those to be.

Under Dr. DeLauer's leadership integration of the acquisition with the budget process is going very nicely. Previously we were told it was totally disconnected and we had a weapons acquisition program which had no real integration with or liaison with the budget process.

The review and oversight is a very important part of it because with an organization that large it is essential we know as much as we can about all of the things that are happening so we can take corrective measures as soon as we find out about them.

Certainly, no one can pretend to know everything that is happening before it happens in an organization that exceeds 3 million people, but we certainly try to find out as quickly as we can and take corrective measures, if any are indicated.

We have increased the number of auditors and we have created the position of Assistant to the Secretary for Review and Oversight, who reports to me daily. That is Joseph Sherick. He has recently been appointed as inspector general of the Department. His views are accorded great weight and I think that has helped his auditors because they believed that nobody paid particular attention to their recommendations.

It was this audit group, incidentally, that uncovered this longstanding problem that a lot of people had suspected about excessive prices being paid for spare parts. They were excessive prices in every sense of the word.

We discovered this and have taken action necessary to try to deal with it. I developed and put into effect a 10-point program, which I will attach to my statement with your permission. That statement will cover the ways in which we are trying to go about dealing with this situation, part of which I think came from the fact that procurement managers were under pressures to get things that were needed quickly and part of it from the fact that they didn't pay sufficient attention to the actual price for the item.

They would order items by lot number and catalog number, not even knowing sometimes what they stood for. If the price appeared at the right-hand side, it was simply signed and the order was made.

A lot was due to bad contracts that allowed the price to be set by companies. A lot of it was due to totally unconscionable attempts to increase charges that were not based on any kind of cost factor; and all of these things—better contracts, closer watch on the programing people, penalties for those who do not perform or exercise bad judgment in paying these prices and incentives and rewards for people who do well—have been put into effect.

We are very hopeful and optimistic that it will improve the situation we found, and which we are first to say needs correction.

On continuity, I would like to put in a strong recommendation that I think we have to insure that there is a continuity in the whole defense planning and budgeting. I believe we have to insure that the Secretary has sufficient flexibility, discretion, and latitude to manage the Department efficiently. This obviously requires thousands of day-to-day decisions and requires space authority and flexibility to make those decisions quickly.

Likewise, I think we have to move aggressively to implement many of the promising suggestions by the Grace Commission which is in the process of completing its report to the President.

On continuity I would like to put in a strong recommendation that we move away from the single-year budget and that we consider very seriously, and I hope would want to adopt, a 2-year budget.

The difficulties of having a system under which the defense authorization and appropriation legislation is not completed when the fiscal year begins is a very, very difficult set of facts for any manager to work with.

In the last 10 years we have had only two appropriations bills signed into law before the fiscal year began and in the remaining 8 years we operated under a continuing resolution for part, and in some cases for more than half, the next fiscal year.

Nothing is more disruptive to sound management than to attempt to operate under those uncertainties.

So, I urge that we try to get the appropriation and authorization bills enacted by October 1 of this year. Certainly this committee has been in the forefront of recognizing the importance of doing that by taking early and effective action.

I think we also ought to recognize that a 1-year budget cycle is simply no longer adequate to meet the needs of the Nation. A 1-year budget cycle does not provide Congress with sufficient time to consider these complex issues, and it puts the Department of Defense in a position of constantly having to try to guess what the Congress may or may not do. I feel the time has come for us to consider what has been recommended by a number of Members of Congress themselves and by the Grace Commission and that is to give us a 2-year authorization and a 2-year appropriation.

Anyone who has ever tried to run a department on a continuing resolution, I am sure, would endorse that. I had to run HEW 22 months on a continuing resolution, and it is a total administrative and management nightmare.

On flexibility there are a number of ways in which the Department's ability to manage its resources has been restricted and restrained. Legislative restrictions prohibited us from awarding contracts to the lowest bidder because of other aims to be secured.

Legislation that specifies in detail how the Office of the Secretary should be organized. Recent Senate votes to create an independent testing and evaluation unit and a specific secretary for reserve affairs are examples of the way in which we are forced to spend more for overhead than we need to.

Then legislation that prohibits our ability to contract out certain services, even if contracting out is cost effective and it poses no impairment to our military mission, and restrictions that impose time-consuming reviews that prevent us from closing bases that are no longer needed.

Mr. Chairman, as I recall, earlier this year you asked for suggestions as to ways in which money could be saved and bases closed. I don't know how many responses you have had, but the restrictions that are presently on the books for closing bases mean that practically speaking we cannot close any facility, no matter how much we want to or how little need there is for it, short of 122 months, assuming everything goes well. We would ask that a lot of those restrictions be suspended.

I intend to forward recommendations to the Congress on how we can deal with these matters I have just mentioned. The Grace Commission has done very valuable work. Its work is still being commented on and reviewed by various parts of the Government, including the Defense Department.

I am encouraged by the fact they have supported many of the management initiatives we have instituted. I am not going to review all of them because I want to finish as quickly as I can, but they did endorse specifically our use of multiyear procurement and urged us to expand the number of systems purchased in this way.

As you know, we can save literally billions of dollars by the use of multiyear procurement to acquire things we know we will need or that we know we will need in time. When we go on an annual basis and renegotiate contracts each year, then inflation and other matters force defense contractors to charge us virtually top prices because they don't have firm long-term commitments.

So, we have had much support from Congress and particularly from this committee on multiyear procurement, but we do miss many very good opportunities. We would urge that more multiyear procurement be added, although now it looks as if Congress will eliminate about a third of our requested multiyear proposals in our 1984 budget.

We actually expect savings of $3.2 billion from our 1982 and 1983 multiyear initiatives. If the 1984 proposals for multiyear were all enacted, we could save about another $1.3 billion, but we are in danger of losing a fair amount of that as multiyear initiatives are denied us.

Another initiative that the Grace Commission recommended and supported was our attempt to get increased competition, dual sourcing for major contracts. Everyone here understands the advantage of free and open competition.

We frequently hear charges we don't award enough contracts through competitive bidding.

Many companies don't bid simply because the Government has been a rather unreliable customer with its alternating policies of surges and stalls and starving various expenditures provide a disincentive for a company to go into the business of supplying defense needs.

I think we need the help of Congress to achieve program stability and not have a policy which starts out boldly, but soon yields to the stronger calls of domestic spending groups.

A third initiative raised by the Grace Commission is to secure economic production rates, thus reducing our expenses in 1 year if we stretch out the period to acquire something we know we need to acquire.

Congress resisted this specifically in the acquisition of the two carriers we know we will need; we can save $750 million on production alone in the manufacture of these ships and another $200 million by saving the inflation, by getting them early and staying with the decision.

We have a lot of initiatives underway on many of the other Grace Commission suggestions. We know that about 80 percent or more of their recommendations require congressional action. We are completing our review and certainly don't expect to agree with all of them.

They have made several recommendations which need further analysis, particularly those involving military retirement because I think in looking at that issue we have to be careful to consider possible effects on readiness and hidden costs which outweigh apparent existing savings.

I will have some comment about the Commission report later; however, on compensation, on retirement and all those matters, we think they should await the report of the fifth quadrennial review of military compensation where the President specifically asked us to review the retirement system for improvements. That will be, we believe, in October of this year.

Mr. Chairman, let me just say again, without going through this whole statement, how much we appreciate the opportunity to discuss these matters with you, particularly at a time when you are so thoroughly occupied with the day-to-day business of appropriation and authorization on the floor and other matters. I think it is a very useful set of hearings.

I greatly appreciate your hearing my views. I welcome your questions. I was going to reply to Senator Goldwater now, but I will reserve that in case he comes back later.

Thank you.

[The prepared statement of Secretary Weinberger follows:]

PREPARED STATEMENT OF CASPAR W. WEINBERGER, SECRETARY OF DEFENSE

INTRODUCTION

Mr. Chairman and members of the Committee: I welcome the opportunity to appear before you as you open your hearings on the organization and management of our national security process. It is the tradition of this Committee not just to consider the nuts and bolts of defense procurement, but also to look beyond them to wider questions about how we should manage our defense resources to best implement national security policy. Never has this issue been more important than right now, as the nation undertakes a bipartisan effort to rebuild our defenses. We cannot afford waste or mismanagement; to combat them we need your help.

Of course, the determination of national security goals, priorities, programs, and funding involves not only the Department of Defense, but a variety of other institutions. The President leads the formulation of national security policy, assisted by his advisors, including the Secretaries of State and Defense. I believe this Administration has organized an effective process to support the President, one that stresses coordination among Cabinet members and federal agencies. The senior element in this system, of course, is the National Security Council, but the detailed work to support its deliberations is carried forward by a series of interagency groups, chartered and organized on a task-specific basis.

Ultimately, of course, national security decisions involve a partnership between the Executive Branch and the Congress, for our constitution charges Congress with the responsibility "to provide for the common defense," "to raise and support Armies," "to provide and maintain a Navy," and "to make rules for the Government and regulation of land and naval forces." I shall return at the end of my statement to suggest several ways in which we might improve this partnership between the Executive Branch and the Congress.

To participate properly in the formulation and implementation of national security policy, the Department of Defense must be effectively organized and managed. In his press statement announcing these hearings, Senator Tower asked about the philosophy that one brings to the management of an organization like the Department of Defense. Mine is one that stresses a proper balance between centralized policy formulation and decentralized program execution.

POLICY FORMULATION

In prescribing a centralized approach to policy formulation, I also believe that there must be participation by those who will be responsible for executing it. When I arrived as Secretary of Defense, I quickly decided that we needed to rebalance some responsibilities to achieve this objective. In particular, I strengthened the role of the Service Secretaries. As you may recall, studies by the prior Administration had contemplated abolishing these positions. In contrast, we moved swiftly to buttress their authority, so that they could indeed function as line managers in executing their Services' programs.

One of the major steps we took was to make the Service Secretaries members of the Defense Resources Board—the Department's Board of Directors, if you will—the body of senior officials that advises the Deputy Secretary and myself on the major resource decisions of the Department. This change not only strengthened the role of the Service Secretaries, but also improved the quality of our deliberations.

But it is not enough to consult more widely with those in Washington. I also need to hear directly from our major commanders in the field regarding priorities within the Defense program. As a result, twice a year the Commanders of the Unified and Specified Commands are invited to appear as a group before the Defense Resources Board. I have found these among the most valuable sessions it has been my privilege to attend as Secretary of Defense. In addition, I receive detailed quarterly written reports from each Commander and I meet with many of them informally, in their Commands or here in Washington. They offer their advice on the guidance that should be given the Military Departments, and their evaluation of the resulting program proposals.

Likewise, I believe that I must have available the candid advice of the Joint Chiefs of Staff on defense priorities and programs and I must have the Chairman's personal advice—not simply as head of a committee, but in his own right as the nation's senior serving military officer. There has been much public debate about the proper role of the Joint Chiefs of Staff, and about their organization. I have recommended steps to the Congress that should improve both.

But I believe the debate has overlooked the most important issue: how frequently and how fully does the Secretary of Defense consult with the Joint Chiefs of Staff and with their representative, the Chairman? Even more importantly, does the Secretary look to the JCS for military advice? In my judgment, the answer to these questions is far more important than tidy tables of organization, or "wiring diagrams," or specific organizational arrangements. I meet with the Chairman of the Joint Chiefs of Staff, General Vessey, or the Acting Chairman, at least once every day in a regularly scheduled session and we have many more informal meetings. I also meet with the Joint Chiefs as a body once a week. I rely on the Joint Chiefs of Staff for military advice on a range of issues that I believe transcends those with which their predecessors have normally dealt. These include a number of weapon system programs and the relative priorities among competing claims for our scarce resources.

The Joint Chiefs have asked me to tell you that this consultative process is working well, and that they have a better opportunity to offer their views and advice than has been true for many years. It does not mean that I accept every recommendation I receive, nor that we necessarily agree on every issue. But an open and frank dialogue is essential if the Department is to be managed well. Such a dialogue best serves the nation's security interests.

Whatever the Department's formal organizational structure, it is unlikely to function well if it is not guided by a good long range plan. Planning has often been labelled the silent "P" in PPBS—the Planning, Programming, and Budgeting System. I have sought to change that, and provide the Department with a viable planning system. While I have assigned coordination of the process to the Under Secretary of Defense for Policy, in fact it involves the entire Defense Resources Board. We begin by listening to some of our most senior military officers—the JCS and the Commanders of the Unified and Specified Commands—commenting on their perspectives and requirements. We consider the difficult problems that confront us in fulfilling the nation's security objectives: What are our priorities? How do we best meet them? For what kinds of conflict should we be prepared? How rapidly should we be prepared to move our forces in event of conflict? How large a stock of war reserves do we require? These discussions culminate in the preparation of the Defense Guidance—the formal document that outlines objectives and priorities for the Military Departments, based on which program and budget proposals are prepared. For particular problems that we identify, special studies are initiated, and their results incorporated in the next cycle of the process. While a great deal more still needs to be done, I am proud of the progress we have made in the last two years with respect to mid- and long-range planning in the Department of Defense.

POLICY EXECUTION

In formulating policy, I have stressed central directions, but consultation with those who must execute it. Similarly, while I believe that execution must be decentralized, I likewise believe it must be monitored by the policymakers. I long ago learned that those things are done best that top management checks frequently.

For this reason, shortly after I took office I instituted a series of "Secretarial Performance Reviews." Each week on a rotating basis, the Service Secretaries must report to me on one or two major programs and their progress. This allows me to discuss with them potential difficulties and outline possible solutions before small problems become big ones. In addition, for a number of our largest and most critical weapon systems, I have instituted bi-weekly or monthly reports—on a face-to-face basis—from the programs' managers. I am concerned with three major issues: Is the project on time? Is the program within budget? Is the weapon meeting its design specifications?

Consistent with decentralizing program implementation, shortly after I took office we decided to streamline our acquisition process, returning some authority to the Military Departments. At the same time, we instituted a Council on Integrity and Management Improvement, chaired by the Deputy Secretary of Defense, to watch over our acquisition policies, and to insure that we get maximum value for the taxpayer's dollar.

As part of this policy-level overview of defense acquisition, I have insisted that the weapons review process—managed by the Under Secretary of Defense for Research and Engineering, as Chairman of the Defense Systems Acquisition Review Council—be integrated with the deliberations of the Defense Resources Board. Too often in the past we decided to develop weapons systems for which no procurement funds were reserved in future budgets. Or we planned to make acquisition decisions on a schedule totally disconnected from the budget process. Thanks to Dr. DeLauer's leadership, this integration is proceeding, and we are bringing these problems under control.

REVIEW AND OVERSIGHT

Even as we have developed a standard, well-running approach to making important resource decisions, I also recognize that some areas require special attention and scrutiny as well as extraordinary corrective measures. I knew, for example, that we had to have a full and honest picture of the problems we faced. So I created a position for an Assistant for Review and Oversight to guide the work of DOD's auditors and inspectors, and to report directly to me. I appointed Joe Sherick, who I knew would be thorough and tireless in that very difficult job.

Joe meets with me and my key staff daily. That has had a beneficial effect on our entire oversight program. Auditors tell me that in the past they grew discouraged because their advice fell on deaf ears. Now they know their recommendations will be reviewed at levels where action will be taken.

One of the first areas I directed the auditors to check was our procurement of aircraft engine spare parts. Excessive prices for spares has been a long-standing problem that frustrated my predecessors for decades. But always it escaped solution—and even attention—because it was so complex and politically sensitive. We recognized that if we were to be successful in restoring America's defenses we had to face up to that persistent problem, no matter how unpleasant the consequences. So I charged our auditors and investigators to determine the size and scope of the problem. During the past weeks we have been receiving the results of their audits, which indicate that the problem was as serious as we suspected. But now we know where we must focus our attention and our remedies.

Earlier this week I sent a letter to each of the Service Secretaries and the heads of the Defense Agencies outlining a ten-point program to end—once and for all—the price abuses that have plagued our spare parts procurement. It is a program that makes the Defense Department a tougher customer, and ensures the taxpayer's dollar is well spent. It is a program that responds to the audits we have conducted, and a program that promises future audits in new areas. It is a program with teeth—one that provides for every legal, administrative, and contractual means possible to get the best price and to obtain refunds for unjustified charges. But it is also a program with rewards and incentives for those corporations and dedicated employees who support our defenses honestly and well. So you can better understand the full program, I have attached a copy of my letter to the testimony.

IMPROVING THE NATIONAL SECURITY PARTNERSHIP BETWEEN THE EXECUTIVE BRANCH AND THE CONGRESS

The changes we have made to the organization and management of the Department have been in place now for over two years. They have been extremely successful in striking a proper balance between centralized policy formulation and decentralized program execution.

But as well as our current system is working, there remains room for improvement—particularly in those areas that require joint legislative-executive action. At the start of my statement, I promised recommendations on how we could improve the national security partnership between the Executive Branch and the Congress. There are three areas, all of which require Congressional action, that we need to focus on in the months ahead:

First, we must ensure the continuity necessary for effective defense planning and budgeting.

Second, we must see that the Secretary of Defense has sufficient flexibility and latitude to manage the Department efficiently.

Finally, we must move quickly to implement the promising elements of the Grace Commission report.

CONTINUITY

Although everyone acknowledges the long-run nature of national security requirements, we meet those requirements with a series of one-year budgets. This imparts a short-run mentality to what should be a steady, long-run effort. And, in the majority of cases, the current system has simply not worked. All too often, Defense authorization and appropriation legislation are not completed by the time the fiscal year begins. In fact, in the last ten years we have had our appropriations signed into law before the fiscal year began only twice; in the remaining eight years we operated under a continuing resolution for part—in some cases for more than half—of the fiscal year.

As you can imagine, there is nothing more disruptive to sound management than to attempt to operate under the uncertainties of a continuing resolution. It is important for the orderly progress of our national security effort that we make our decisions promptly. The President's budget request is presented to the Congress in late January or early February. I urge that we rededicate ourselves to ensuring its enactment by October 1st of this year.

But we should also face up to the fact that a one year budget cycle is no longer adequate to meet Congress' and the Administration's needs. A one year budget cycle does not provide Congress sufficient time to consider the complex issues involved in the Defense authorization and appropriation requests, and it puts the Department in the position of constantly having to second guess the Congress.

The time has now come for us to consider what has been recommended by a number of Members of the Congress and the Grace Commission: that is, that Congress act to provide the Department with a two-year authorization and a two-year appropriation. A two-year cycle would not only strengthen Congress's role, it would also allow the Department to achieve significant savings and management improvements. I think anyone who has ever tried to run a department on continuing resolutions would support the two-year budget.

FLEXIBILITY

Over the years a number of restrictions have been placed on the Department's ability to manage its resources effectively and efficiently. This has occurred in several areas, but four are of particular concern to us:

First, various legislative restrictions that may prohibit us from awarding a contract to the lowest bidder or otherwise restrict our ability to encourage competition.

Second, legislation that specifies in detail how the Office of the Secretary of Defense should be organized. The recent Senate votes to create an independent testing and evaluation unit and other detailed specifications on the management and organization of the Department can force us to spend more for overhead than we need to.

Third, legislation that forbids or limits our ability to contract out for certain services, even when contracting out is cost-effective and poses no impairment to the military mission.

Fourth, restrictions that impose time-consuming reviews or prevent the closing of those bases that are no longer necessary to us.

The Department has long carried out a policy of periodic re-examination of military bases to determine whether they should continue in operation or be closed. As the Grace Commission pointed out, past proposals to close certain bases have been flatly turned down in the Congressional review process, and the process itself has been lengthened and complicated to the point where it has become virtually impossible to close any military installation in this country, regardless of the merits of the case. Even if we could get Congressional approval to close a base, the current process moves at such a snail's pace that no savings are realized for years. I believe we need to correct this situation—while preserving appropriate advance consultation with the Congress about the area that would be affected.

We need to reconsider whether some of these restrictions impose more costs than they produce benefits. Changes will no doubt pose painful political dilemmas; but I believe we must face these if we are to deliver the defense we require within budget limits.

Therefore I intend to forward recommendations to the Congress on how we can work together to introduce flexibility into the management of the Defense Department. The first will be to ask the Congress to suspend the myriad of restrictions on our ability to change the level of activity at individuals installations—including closing a base where circumstances warrant. I shall submit a recommendation on how we might deal with this problem within the next 60 days.

GRACE COMMISSION

I expect that all the members of this Committee are familiar with the main elements of the President's Private Sector Survey on Cost Control—better known as the Grace Commission Report, after its Chairman, J. Peter Grace. Although the formal Executive Branch review of the Commission's Reports on DOD and the Services has not yet begun, I have directed the Department to move ahead rapidly to review the various issues and recommendations the Commission has proposed. Although our review is still underway, I would like to give you an early assessment of where I stand, recognizing that there may be some adjustments once our review is completed. Although I do not expect to agree with all of the Commission's recommendations, there are a number of measures they have proposed which have particular merit.

I am especially encouraged by the Grace Commission's support of the management initiatives we have already instituted. I am not going to review all of these now, but I would like to discuss three that try to make DOD more "businesslike": multi-year procurement; economic production rates; and enhanced competition.

1. The Commission strongly endorsed our use of multi-year procurement and urged us to expand the number of systems purchased in this way. The case for increased multi-year procurement is sound. In the past we have had plans to buy a specific number of fighter planes or tanks each year for the next several years, but we could only assure the manufacturers of an order one year at a time. The administrative costs of renegotiating contracts and yearly inflation boosts pushed up prices substantially. Worse still, we were literally forcing defense contractors to charge us top prices. Without firm long-term orders they were unable to buy raw materials in bulk when the prices were low. Without the assurances of steady future business it was hard to justify making capital investments to take advantage of more efficient and economical manufacturing processes.

In many cases, Congress has supported and encouraged our efforts, but we have not received all of the support we believe is justified. As a result, we are missing many good opportunities to use this cost saving procurement tool. During the current FY 1984 budget review cycle it now looks as if Congress will eliminate at least one-third of the multi-year proposals from our FY 1984 budget request.

The Grace Commission has estimated that DOD might save as much as another $3 billion over the next several years with a more aggressive use of multi-year procurement. Of course we cannot achieve any savings without congressional support and individual approval of our proposals. We expect savings of $3.2 billion from our FY 1982 and 1983 multi-year initiatives. Our FY 1984 budget proposal contains multi-year initiatives expected to save another $1.3 billion. I urge your most careful consideration of our multi-year proposals before final authorization action on our FY 1984 request.

2. Another DOD management initiative that received strong backing from the Grace Commission was increased competition, especially through dual sourcing for major contracts. Everyone here understands the advantage of free and open competition. It encourages risk-taking, keeps down costs, and speeds innovation.

One frequently hears charges that the Defense Department does not award enough contracts through competitive bidding. What we hear less frequently is advice on how to get more contractors back into the defense business so that we can have competitive bidding. Many companies simply do not bid for any U.S. Government contracts, in part because the government has proven to be a rather unreliable customer over the years with its alternating policies of surges and stalls. We are trying to turn that around by becoming a more reliable customer—but we will need Congress's help to achieve program stability. Surges and stalls, of course, are the obvious result of a funding policy which starts out boldly but soon yields to the stronger calls of domestic spending groups.

3. There is a third management initiative: economic production rates. We can appear to reduce our expenses in one year by drawing out the period during which we purchase the equipment we require. But stopping and starting production lines or producing at less than efficient rates wastes both tax dollars and industrial resources. If we are going to purchase wisely, we must accept short-term start-up costs to achieve long-term benefits and savings.

While we already have initiatives underway on many of the Grace Commission's suggestions, I should stress that more than 80 percent of the Commission's recommendations on the Defense Department will require Congressional action if they are to be implemented. We are completing our review of those suggestions. I do not expect to agree with all of them. But a number merit consideration, and some I know, will be very useful. I will send the Congress, within 60 days of release of the formal DOD reports, a report recommending statutory action in those cases where it appears wise to proceed, and where such action is necessary if we are to do so.

The Commission has made several recommendations on issues where I feel we need further analysis, particularly those recommendations concerning military retirement. In looking at this issue we must be careful to consider possible adverse affects on readiness, and any hidden costs which might outweigh savings.

I have several concerns with the Grace Commission's recommendations on military retirement as it stands. First, the Commission based its recommendations on comparisons between the military retirement system and private sector practices, but there are unique demands on military personnel, such as high personal risk, frequent moves, long hours and separations from family, that require different compensation. Second, major reductions in retirement benefits could decrease our ability to attract and retain the necessary quantity and quality of personnel. This would be an unwelcome setback now that the All Volunteer Force is meeting its manpower goals. ***Finally***, the 5th Quadrennial Review of Military Compensation has been specifically tasked by the President to review the retirement for improvement. That effort is ongoing and is expected to result in recommendations during October 1983. It would be premature, in any case to accept the Commission's recommendations without the consideration of the results of the 5th Quadrennial Review of Military Compensation.

I offer these proposals for your consideration because I share the Committee's desire that we have the best possible process for formulating and implementing our national security policy. This committee, and you in particular, Mr. Chairman, have always given us a fair and thorough hearing. I have no doubt that you will weigh the recommendations I have proposed today with equal consideration. I recognize that there will be differing views of what our objectives should be, the priorities among them, and the funds required to fulfill them. But I believe we owe the public a mechanism for resolving such questions that is prompt and crisp, so that the nation does not become a prisoner of indecision, but rather can meet its responsibilities to itself and its allies in the dangerous and complex world in which we live.

[Attachment]

THE SECRETARY OF DEFENSE,
Washington, D.C., July 25, 1983.

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS, CHAIRMAN OF THE JOINT CHIEFS OF STAFF, UNDER SECRETARIES OF DEFENSE, ASSISTANT SECRETARIES OF DEFENSE, GENERAL COUNSEL, INSPECTOR GENERAL, ASSISTANTS TO THE SECRETARY OF DEFENSE, DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Spare Parts Procurement.

Our recent audits and investigations of aircraft spare parts accounts demonstrate conclusively that we must make major changes in the way we order and purchase spare parts. The directives we instituted in March 1981 to increase competitive bidding and hold down prices have not been enforced vigorously enough throughout the Defense Department.

To ensure that we are not plagued with pricing abuses in the future we have developed and put in place a ten point program. It is our joint responsibility to see that all civilian and military personnel in the procurement branches of the Department comply with these procedures.

First, we should offer incentives to increase competitive bidding and reward employees who rigorously pursue cost savings. Actions such as the Air Force's recent award of a $1100 bonus to the Air Force sergeant who uncovered excessive overpricing on a spare part should be continued and given your personal attention.

Second, I expect you to take stern disciplinary action—including reprimand, demotion and dismissal—of those employees who are negligent in implementing our procedures.

Third, I have directed Deputy Secretary Thayer to work with the Service Secretaries to alert defense contractors to the seriousness of the problem and of our firm intention to keep prices under control. We expect them to ensure that their employees also pursue fair pricing practices by undertaking disciplinary action when necessary or rewarding employees where appropriate. I will carry this message to defense contractors in Hartford, Connecticut in a speech I will give there later this week.

Fourth, now that all of the Services have competition advocates in place in their buying commands, I expect those competition advocates to challenge orders that are not made competitively or appear to be excessively priced and I expect our procurement officers to heed their advice.

Fifth, we simply must refuse to pay unjustified price increases. I know the Air Force now carefully checks price increases on aircraft spare parts. If the price increase is excessive, the Air Force is refusing to pay it. Such efforts are already underway in the other Services and they should continue to receive the highest priority. To assist you in these efforts, the Defense Contract Audit Agency will work with your contract administration offices to strengthen spare parts pricing procedures and to assist in the negotiations of major spare parts purchases.

Sixth, we must accelerate reform of our basic contract procedures. The Inspector General's recent investigations underscore the importance of reforming our basic contract procedures to encourage competition, preclude overpricing and, as an added insurance, give us the legal right to recover excessive payments.

For example, many of our existing basic ordering agreements routinely carried a price redeterminable clause which allowed the manufacturer to set the price for repeat orders of spare parts. You should continue to phase out existing portions of ordering requirements which allow the manufacturer to redetermine prices and make every effort to obtain firm fixed-price contracts. We must redouble ongoing attempts to increase the number of contracts open for competitive bidding.

Seventh, we must take steps to obtain refunds in instances where we have been overcharged. In those contracts where we have the right to reduce an excessive price and set a more equitable price, we should not hesitate to exercise that right. If we have to, we should sue a contractor to recover unjustified payments. In some cases the contracts we signed may not give us the legal right to a refund. In these instances, the Services and the Department should aggressively pursue refunds through discussions with senior managers of the company similar to those Secretary Lehman is currently conducting with the Sperry Corporation and Gould Simulation Systems Inc. We should convey to them our strong belief that it is in the best interests of both the Department of Defense and the defense industry to have contractors voluntarily refund any payments that are clearly exorbitant and unjustified.

Eighth, where alternative sources of supply are available, we should cease doing business with those contractors who are guilty of unjustified and excessive pricing and who refuse to refund any improper overcharges. If alternate sources, domestic or foreign, are not available, we will do our best to develop such sources rapidly. In December 1982 we significantly strengthened our procedures for suspending and disbarring irresponsible contractors. We should exercise those administrative powers in a timely manner—within 30 days of indictment or conviction of a contractor.

Ninth, our audits and investigations of spare parts will continue. In addition to the eight audits the Inspector General has already issued, Service auditors have issued some 25 others. The Inspector General has six additional audits in progress, and will begin three others in the next few months. These will focus on the broader ramifications of how we buy spare parts, what we pay for them, and how they are used and controlled once they enter the inventory. In addition to investigating aircraft engine spare parts, we will now look at cost growth in electronic spares and contract administration activities.

The tenth and final point is that the Defense Department purchases millions of spare parts worth billions of dollars each year. I think you will agree that in the majority of cases we have been satisfied with the quality and prices of those spare parts. The many fine corporations and dedicated employees supporting our nation's defense should not be maligned as a group for the failures of a few. However, it is our responsibility to ensure that we do not waste one dollar of the taxpayers' money. We must make every effort to eliminate excessive pricing in the future, to recover unjustified payments we have already made, and where necessary, to expose and take appropriate corrective action against those contractors and employees who are either negligent in performing their duties or are engaging in excessive pricing practices.

CASPAR W. WEINBERGER.

Chairman TOWER. Thank you, Mr. Secretary.

I have quite a large number of questions I will submit to you for response for the record. Because we don't present them here does not diminish their importance. They are enormously important. They require the provision of a great deal of basic data and information we believe will be needed for the follow-on hearings. It is important these questions be responded to.

Secretary **Weinberger.** They certainly will be, sir.

Chairman **Tower.** I will submit those questions for response in writing.

Mr. Secretary, I think you have properly identified the congressional part of the problem. I would hope we have, in this committee and in the Senate, the capacity for self-analysis and self-criticism. We realize we are part of the problem.

The Congress created the Department in the first place and permitted the evolution and sometimes encouraged or maybe mandated the evolution of the Department into a multilayered bureaucracy.

It occurs to us, however, that it is now time to have a very hard, cold, and objective look either at what we have done through legislation or what has been done by successive Secretaries and Presidents through custom, usage, and precedents set.

It occurs to us that this vast multilayered bureaucracy, which sometimes is not as responsive to questions and demands we place on it as we would like it to be, also tends to militate against the application of one of the cardinals of good administration which is clear lines of authority running downward through the organization and clear lines of responsibility and accountability going upward.

We hope during the course of these hearings we will encourage you and your associate to engage in quite an extensive exercise, self-examination and presentation of any further recommendations you have.

I will reserve the balance of my questions for the time being.

I dislike doing this, but I am going to have to limit each of the members to 5 minutes on questions because the Secretary must be away from here shortly after 12 noon. We want to give everybody a chance to pose at least some questions.

I will say I doubt this is the only time we will have the Secretary on this particular matter. As we get into it more in depth we will, perhaps, want him to come back and continue with some of our findings.

Senator Nunn.

Senator **Nunn.** Thank you, Mr. Chairman.

Thank you for coming, Mr. Secretary.

Mr. Chairman, I want to congratulate you for having these hearings. I know they are not going to be a one-shot proposition, but rather a continuing process of review. I think this set of hearings may well in the long run be more important than any others we have.

Mr. Secretary, you have outlined here the initiatives you have taken since you have been Secretary of Defense, and a great many of them I commend.

If you listed the top three problems you continue to face in managing the national security apparatus, what would be the top three problems that have not been solved?

Secretary **Weinberger.** I think, sir, one of the points I mentioned that would be a great improvement is a 2-year budget cycle, 2-year appropriation, and 2-year authorization.

The way in which the system works, and I understand why and while I don't have any specific criticism of it, I feel it proper to point out the difficulties it causes. We typically have the budget drawn up, and we are working on 1985 now, and as you know, we don't yet have any idea what 1984 will actually contain. Furthermore, it is quite possible the 1984 appropriation bill may not be enacted by October 1, and then we have a continuing resolution in which we have to change the basic cycle of a lot of the programs.

Some programs will have to come to a halt and then be restarted, depending on how long it takes to get an appropriation bill enacted. On the other hand, we understand all the procedural problems and workloads and everything else that is involved in the Congress with all the other Departments.

I would strongly urge, in view of the amount of procurement that we have to do, the number of programs that we do have to manage, that more certainty be introduced into the system.

I would start with that. That would be one. I think that is a very vital one.

The other thing is that, and again I assume you mean from a management point of view as opposed to substantive?

Senator NUNN. That is right, management.

Secretary WEINBERGER. The second one would be something that would give somewhat greater flexibility to the Secretary to manage and to not have, for example, specific tasks and specific positions assigned and specific duties such as, for example, the Assistant Secretary for Reserve Affairs and all.

This is not to say we can't work or live with that kind of thing—of course, we can—but it forces management into a more restrictive mold than might otherwise be the case.

The other thing is I think it is vital we realize how necessary it is for the Department to be able to not only organize itself internally, but to take maximum advantage of the various physical savings we can achieve through longer term activity and multiyear procurement to get the most efficient economic rate of production.

All of these things would improve the ability to manage the Department and guarantee a much better result.

Senator NUNN. On page 9 of your statement you say, "Finally, we must move quickly to implement the promising elements of the Grace Commission report."

Secretary WEINBERGER. Yes.

Senator NUNN. What are the elements in the Grace Commission report which are not promising in your view?

Secretary WEINBERGER. I mentioned one and that is military retirement. We think that would have an adverse effect on both recruitment and readiness and it would involve some violations of promises and commitments that were made; it is premature to do that.

Senator NUNN. What are some of the other nonpromising elements in the Grace Commission report?

Secretary WEINBERGER. I think we have made some very specific suggestions with respect to some of the procurement processes that we think have already been addressed by the Department.

It is a very long report. Four different reports have come in. We are in the process of going through all of it. I have had only preliminary reviews so far because the report itself is not final at this point. They are still considering comments and criticisms and may well make some changes.

Senator **Nunn**. Will you provide for the record the elements you think are not promising so we can begin to hone down on these?

Secretary **Weinberger**. Yes.

Senator **Nunn**. Mr. Secretary, you went last fall to NATO and made a very strong pitch to the NATO defense ministers on breakthroughs in conventional munitions, tactics, intelligence, and so forth.

Secretary **Weinberger**. Yes.

Senator **Nunn**. As I understand, you made that one of the top priorities of not only our defense budget, but also of the NATO alliance. I commend you for that, and I commend Dr. DeLauer for all his work, as well as Dr. Wade and others who have really been leaders in this area.

As you may know, our committee has already cut some $400 million out of these particular programs.

As you may also know, the Air Force has taken the two joint programs, the JTACMS program and JSTARS program, and zeroed them out in the 1985 planning document.

Without getting into all of the ramifications of the programs, it seems to me it gets to the very heart of how you manage the Department of Defense when you as Secretary of Defense and even the President have announced these as top priorities; and yet the services managing these joint programs have relegated them to the very bottom of the pile.

How do you manage a Department of Defense when that happens, and what will you do about this specific instance?

Secretary **Weinberger**. I am delighted you asked the question because it enables me to tell you exactly one of the major changes we have made in the Department. Let me start at the end and work my way back.

The Air Force may have indicated a lack of interest or lack of priority to some of these programs. Under our system no one service makes these decisions. In the final analysis, of course, the President makes them. In the intermediate set of decisions, the Defense Resources Board hears the Air Force's, the Navy's, or the Army's suggestions that certain things should be zeroed or that certain things should be given the very highest priority.

We examine them against the matrix of the Department's priorities. In that specific situation where we find that a program should have much higher priority than the service assigned to it, because, as you mentioned correctly, of the NATO initiatives that we started, we would not agree with the Air Force and we would substitute the kind of priority that we had put in.

Senator Goldwater, before you came in, talked about some of the dangers or problems of civilian control. I was going to respond to him about the fact that there are different ways of exercising control, but in the final analysis under our system the priorities that the President has and the priorities that we as his trustees in the Department have and carrying out his priorities, we have to retain the final ability to assign the resources that we have to the programs that have the highest priority.

In a nutshell, the Air Force would not be able to or would not be allowed to, if you want to phrase it that way, zero out programs that have much higher priority for the Department.

One of the difficulties is that all of these are preliminary suggestions. Yet you have, and I don't say this critically at all, phrased it as if the Air Force decision was final or their recommendation is conclusive.

Senator NUNN. I observed what happened in the committee this year and found no one defending these programs even though you gave them top priority. It gets zeroed out in the congressional budget process in this committee. I am not talking about a world of theory, but what happened.

Secretary WEINBERGER. Senator, I put to you regretably we don't have that degree of control over the committee's action. The committee can take the actions it wishes.

Senator NUNN. Nobody defended the programs, that is the point.

Secretary WEINBERGER. I would have to dispute that. I think we can show you a great deal of support for those programs. Certainly there will be no program that is cut in the Department's budget which was opposed by anybody within the Department with any authority whatever. I would appreciate it if you would let me know whenever that happens.

Senator NUNN. It happens frequently.

Chairman TOWER. Senator Cohen.

Senator COHEN. Thank you, Mr. Chairman.

I will want to add my commendation to you, Mr. Chairman, for holding this hearing. I hope there will be many more to follow.

Chairman TOWER. Let me say at this point we anticipate 10 or 15 hearings this fall.

Senator COHEN. Mr. Chairman, what I want to say is, I think it is terribly important that we hold such hearings in this committee, because if we don't, other committees are going to hold them.

Second, I want to say since Senator Tower has been in the Senate, he has made it his goal over the years to maintain a very strong and sound defense. That is to his credit.

The problem is that he is not going to continue to carry any credibility, frankly, to the Senate floor if, in fact, some of the deficiencies we found in the Defense Department aren't corrected.

He has that credibility today. But in view of some of the stories we have been reading about, particularly in the field of overpricing of spare parts and others, it seems to me he will be hard pressed unless serious and substantive action is taken to make corrections.

I commend you, Mr. Chairman, for holding these hearings in that regard.

I want to offer a couple of comments in response to Senator Goldwater's observation about the military being in control.

He raises some fundamental questions in that regard. I think we also have to take a look and wonder what the people in Argentina think about their military leaders undertaking a particular mission, compare that with perhaps Great Britain where Margaret Thatcher happened to be in charge.

I think there are serious questions to be raised. I tend to feel that the civilians still ought to be in command, notwithstanding the degree of unnecessary restraints that are placed on the military. The civilians, in my judgment, must always remain in control.

I would like to point out what the chairman was saying—that the Defense Department over the years, not just with this administration, has evolved into a massive organization. Like a massive organization, it has become a leviathan. To me it is almost unblinking, unmoveable, unshakeable in the face of criticism, even when it is constructive.

I can point, for example, over the past 4 or 5 years, whenever there are hearings scheduled on a subject like hurryup spending, debarment for fraud and contract abuse, competition in contracting, Truth in Negotiations Act, military reform caucus, every time there has been resistance to any sort of change coming or at least being initiated up here on the Hill.

I recall reading that one lieutenant general in the Air Force was quoted as saying the military reform caucus, composed as it is of radicals like Bill Cohen, Sam Nunn, John Warner, and others, constituted an internal threat to the military.

It was deeply troubling to me that there is the notion that somehow we who are elected officials, who are trying to find ways in which to reform the way we do business, somehow constitute a threat to the military establishment of this country. I think it is really a question of attitude. How do we break through that attitude that we are the enemy on this side of the Potomac?

That is reflected time and time again in the course of hearings that we hold. This is not directed at your administration on your stewardship in that regard, Mr. Weinberger.

Let me now turn to some of the specific allegations. For example, the inspector general's report noted of 15,000 parts that they surveyed, 65 percent rose 50 percent or more in price between 1980 and 1982. More than 52 percent doubled in price during that period. Twenty-seven percent showed price increases of 500 percent or more in the same period the Consumer Price Index rose only 17 percent.

Those kinds of inflationary pricing indications are beyond the realm of explanation, in my judgment.

I note, for example, that if a person went in to buy a ladder, a lumber ladder, and he found in a local hardware shop the ladder cost $100 and he went to another hardware store and he found a ladder costing $1,676, I am pretty sure that consumer is going to buy the $100 one.

Yet we had a situation in 1980 where the Air Force purchased ladders for the F-105, I believe, for the price of $1,676. Again, it is very hard to justify, because it has been done on a sole-source basis.

In 5 minutes time I can't hope to cover all of these.

Secretary **Weinberger**. In 5 minutes time I would like to answer some of these, Senator.

Senator **Cohen**. I will have you take 5 minutes to answer. It is one way of trying to phrase a series of questions in the context that, hopefully, will at least allow you to think about these, not right now necessarily, for an answer because I have a lot of questions I want to submit. Basically, how do we go about changing the way in which we do business and do it in a way that is constructive?

Secretary **Weinberger**. What I would like to say, before commenting on your other points, is that we have changed our way of doing business. We did uncover all of these things that you mentioned and we discovered them before anyone else and took action to correct them immediately.

It is important that be done and it is important also, I think, that the thing be viewed in proper perspective. I don't agree with the percentage figures you have given about the increase in prices.

Senator **Cohen**. Those are the IG's.

Secretary **Weinberger**. We have our own figures and we have some in which something like 25 percent of the prices for spare parts were lower than the ones we previously ordered.

The specific fact is there are too many high prices paid for too many items. We are not going to quibble about that.

The important fact is to find out how it happened and to do something about it. It happened because they were ordered by people who, first of all, did not pay enough attention to the price of specific items; they ordered entirely by number; a so-called clericalization of the process.

The second one is that there were bad contracts which allowed companies to set these prices.

The third factor was unconscionable practices by some of the employees of those companies which accepted prices of this kind. Finally there was the situation that the desire to get the part overrode every other factor.

Now, everyone of those problems has been addressed, as it should be. They have been addressed in a way which will completely eliminate or certainly eliminate the major part of it.

We will discharge and go to any kind of criminal penalty if any is indicated by going to the Department of Justice for our own employees who participate in this.

We have demanded refunds from the companies involved and are continuing to do that.

We are continuing the audits that we started. We will continue to do that. We have 31 audits now in process. Anytime anything is found, there is no attempt to cover it up, but there is an attempt immediately to find out why it happened and stop it.

We are changing the contracts that allowed a lot of companies to set their own prices. There was sole sourcing, as you said, because the contract for the plane carried with it a provision that all parts would be ordered from the manufacturer. That was a bad contracting process and is being changed.

So all of these things are being addressed on the spare parts.

On the broader issues that you address, I urge you as strongly as I can, Senator, not to take a single statement either that you hear or that you read about quoted as being indicative of the attitude of the Department.

I can pick out a statement by any one of a number of congressional staff members or Members of Congress or some anonymous source that is reported to have been said and build a whole case against the Congress or against any particular bill.

I think it is a very inappropriate and not a very useful way to go about trying to find out what the policy is and change it.

Senator **Cohen**. That is not representative of an attitude of a sizable segment?

Secretary **Weinberger**. I don't think it is representative of the sizable attitude of any kind of numbers at all. If the statement were made and if you heard it, I don't dispute it, but I certainly dispute the content of it and I don't think it represents anything except an isolated viewpoint.

There are a lot of people who say things that may or may not reflect the way they actually think. There is certainly nothing remotely resembling an attitude in the Department, by the President or any officials we have appointed to the Department, who take that kind of approach to Congress seriously.

That is not to say that we do not feel perfectly free to disagree with some of the recommendations of the reform caucus or something else. Disagreeing with recommendations of a reform caucus should not be considered indicative of an attitude of resistance to Congress or resistance to change.

In many cases policies that are criticized have been rather carefully thought out and there are supporting reasons for that policy and those supporting reasons are presented. This should not mean that anyone who is being argued with should feel the military is opposed to everything the Congress does.

It is vital, I think, as you said, that there be civilian control, although certainly there is no slight suggestion that the civilians ought to direct in detail the maneuvers, deployment, or disposition of the troops or particular strategies to be followed or tactics in a battlefield situation. There will never be that kind of activity by civilians while I am around.

There certainly will be a firm adherence to the basic constitutional provision that there must be ultimately civilian control starting with the President of the United States over the military.

Chairman **Tower**. Senator Jackson.

Senator **Jackson**. Mr. Chairman, I have a short statement.

I want to join you in welcoming Secretary Weinberger here today and at the same time I would like to commend you for initiating this series of very important hearings.

The task you have chosen for the committee at these upcoming sessions is a timely and vital one. The last congressional review in the judgment of our national security apparatus occurred in 1958, some 25 years ago. I was an active participant in that effort which culminated in the Department of Defense Reorganization Act of that year.

Now, much has changed in Government and in the world since that time. The management problems of the Department of Defense have become more demanding as budgets have risen and our worldwide commitments have expanded. It is well nigh time to take another detailed and focused look at our national security machinery, its structure, and modus operandi.

We must be sure that the operational structure of the Department of Defense is well suited to dealing with the national security task presented by our modern world.

Mr. Chairman, I enter these hearings with an open mind. I do not favor change for change's sake. We should not tinker idly with an apparatus that has functioned fairly well since the last adjustments were made.

At the same time, we must be willing to recommend any modifications to our national security machinery which are warranted after thorough analysis by this committee during the course of the hearings.

May I just conclude on this note: I think the challenge in part, for the committee, is to address the public in such a way that they understand what is going on. I think, in the overwhelming majority of situations, there is the feeling that somehow waste is pervasive in the Department of Defense.

I think the Secretary will agree with that perception. People, when they turn to the question of saving money say, "Look at all that waste."

These are issues that, Mr. Chairman, have been with us since the beginning of time. That is a view of the operation of our military establishment that people hold.

So we are right back where we were 25 years ago when I first listened to these arguments.

Someone once said the more things change, the more they are the same. I only hope two things can be done. That we can improve upon our present system and second, that we can do a better job in getting the truth, whatever it may be, to the public, because I think the Secretary has that problem. He is up against a situation where there is presumption, and indeed on the part of some it is an unrebuttable presumption, that the waste is there and we are not doing anything about it.

I hope that we can address specifically those two problems with some clarity and with some sense that we are at long last making progress in informing the public and improving the operation.

I thank the chairman.

Secretary **Weinberger**. Mr. Chairman, could I comment very briefly on that?

I would like to say I agree completely with the importance that Senator Jackson has attached to informing the public and to informing them completely. I do think that he may be correct about the perception by some that there is waste, but I think we have to define that pretty carefully because quite frequently one person's idea of waste is a program he doesn't like.

There may be a number of programs, in fact there are, which have a great many opponents—programs considered from their point of view wasteful because they are thought to be unnecessary.

There are a lot of people who think the MX is a waste. There are a lot of people who think it is essential.

As far as the management of the programs that the Congress authorized and approved, those are the ones we try to do in the most economical way possible. That is why we have been so exercised and unhappy about the revelations of the spare parts pricing. We moved immediately to do something about it because that is clearly and totally wasteful. It is something that has to be corrected and something we found ourselves and we believe we have corrected.

The other thing is that an extension of this perception of waste again is that all defense expenditures are basically unpopular with a lot of people in our free, open society. That is perfectly understood and it has been a problem that has been around since the Revolution and will always be around.

None of this is to say it excuses any waste. It is just to try to emphasize there are definitions of what is and what is not waste.

I appreciate your comments, sir.

Chairman **Tower**. Senator Thurmond.

Senator **Thurmond**. Thank you, Mr. Chairman.

Mr. Chairman, I have to leave for the White House. I ask unanimous consent that my statement and questions may be put in the record.

Mr. Secretary, I want to commend you for the great job you are doing as Secretary of Defense.

Secretary **Weinberger**. Thank you, sir.

Senator **Thurmond**. I hope you will not be deterred by unjust criticism, but will stand fast with what you are doing, and I am sure the people of this country will back you.

Secretary **Weinberger**. Thank you very much, sir.

[The prepared statement of Senator Strom Thurmond follows:]

PREPARED STATEMENT BY SENATOR STROM THURMOND

Mr. Chairman, you are to be commended for convening this hearing. The people of this country gave President Reagan a strong mandate in 1980 to strengthen our national defenses. It is consistent with this mandate to review the Department of Defense organization and its attendant decisionmaking processes.

The people of this Nation want a strong defense, but they will not tolerate, and should not be expected to tolerate, wasteful spending.

Mr. Secretary, welcome to this hearing. I know that you are personally committed to efficient procurement practices, as is this administration. I want you to know that you will have my full support in the months ahead as you recommend changes for the Department of Defense.

Chairman **Tower**. Senator Exon.

Senator **Exon**. Thank you, Mr. Chairman.

I will try to be just as nice and just as considerate.

I want to welcome you here. I want to congratulate you as others have for the prompt way you have moved into that spare parts matter. Those are the kind of things which happen that cause you and all Americans great concern.

All I can say is that, as you say, you are on top of it and I congratulate you and I won't pursue that any further.

Let me ask you two questions regarding the structure of the Department of Defense as you have seen it, both those who serve below you and those who serve above you—the President and the level at which you help develop our overall national policy.

Let us go into the structure first of those that serve under you.

I have known you for a long time, Mr. Secretary. You have had a lot of experience in State government, a lot of experience in other departments of the Federal Government and now the most involved department of all. Let me ask you this question.

From your perspective, is the Pentagon more of a bureaucratic mess than the other parts of the Federal Government with which you have been involved?

Secretary **Weinberger**. I don't think I can say that because I have been involved with an awful lot of other departments.

Senator **Exon**. They are all messes. Which is the worst mess?

Secretary **Weinberger**. We have to watch our terminology relatively. We will start with this.

I have never found an organization, I never joined an organization that I didn't think there was room for improvement. We try to make those improvements as we go along. That in itself is a difficult task because as you go along it takes about 36 hours out of each day and that does not leave very much time for major changes.

But the military is a totally different kind of organization than HEW, for example, or the Federal Trade Commission or OMB. It has a totally different kind of mission.

It does have this problem that Senator Goldwater pointed out at the beginning of the hearings, of civilian control or civilian management and constitutional problems involved in that in dealing not with a large group of civilian employees, and there is a very large group of them, over 1 million, but integrating that, making it, working together with the military, the uniformed services, the whole different sets of disciplines and training and tasks that are, should we ever call on them for the things for which they are trained, unbelievably difficult and dangerous.

So you have a mixture of the two that differentiate the Department and make it unique.

There is no question that with over 3 million people, 2 million more on one side and roughly 1 million on the other side, military and civilian, you are going to have a bureaucracy, if you like, or management or structural overhead that takes a lot of people.

You obviously try to cut it down as much as you can. For example, the Office of the Secretary of Defense has been reduced from about 2,200 people to about 1,700, right in that range. That is a start.

We have had other duties assigned to us. We try to do them with that same number. It still is a lot of people.

I would not describe it as a bureaucratic mess or anything of that kind. It is a very large organization. It is essential that you have, as we have tried to do, a decentralization to the people who have to execute the job. That is the service Secretaries and that sort of thing, the training, the actual management of the various installations within the Army, Navy, Marine Corps, and Air Force.

At the same time you have to make sure that the people to whom you decentralized these tasks are watched, monitored, if you like; managed is perhaps a better term.

So there have to be reporting channels and there has to be an opportunity to make sure that they are doing the things that are part of the Department's policy.

Senator Cohen's question a moment ago was based entirely on a statement of one lieutenant general. Obviously that is going to happen. We have free speech and everybody can say what he thinks, but that should not be taken as necessarily determining the policy of the Department.

So, we have to exercise as much supervision and management as we can, at the same time be loose enough and decentralized enough to let a large number of people perform an enormously large number of tasks.

It is by a combination of those two that we try to get into it.

In addition to that, it is vital that we have, and it is one of the real problems in any of these jobs, an opportunity and facilities to think about the future instead of cleaning out the "in" basket and going ahead with the day-to-day tasks.

We have tried to set up units and agencies that will point our thinking and help us in formulating longer range budget priorities. Priorities of the Department, the things that Senator Nunn referred to a moment ago, initiatives of NATO, by trying to use the latest technologies and improve our conventional force and multiply it to deal with a potential enemy that has enormously much larger numbers.

All of these things have to be done at the same time. So it does take a lot of people.

It is a very valid question that goes to the root of everything we are trying to do. It requires a somewhat longer answer than I would ordinarily like to give you.

A short summary is that I don't think it is a mess. It is very large. There is obviously room for improvement and we try to put those improvements in every day. It is an organization which I found extraordinarily responsive.

The staffs are devoted and dedicated. They are the professional people, interested in doing the best job possible. That is a great source of gratification. That is the only thing that enables us to run the Department.

Senator EXON. Thank you, Mr. Secretary.

I happen to feel that the bureaucratic mess was a major reason for the fiasco with regard to spare parts. Maybe this is not true, but I think it is so.

Secretary WEINBERGER. The important thing is to discover it and stop it.

Senator EXON. My other question was, how do you, the President, the Secretary of State and the National Security Adviser meet to form defense policy and international policy? How do you meet, how often do you meet, and how are meetings carried on with regard to carrying out the important matters for which the Pentagon and the State Department are responsible?

Secretary WEINBERGER. In view of the time, I am tempted to give a two-thirds answer which is "very well," but I will expand on that a little bit.

We do have an interagency process. I meet regularly at least once a week on a formal basis with the Secretary of State on Thursday mornings. It happens to be this morning.

Other times during the week I meet with the President's National Security Adviser, Judge Clark, many times, on the phone repeatedly, four, five, six, seven times a day and maybe six or seven times at night on developing matters.

So there is full and complete liaison, and obviously with the President whenever it is necessary and it is necessary quite frequently.

The formal process is the interagency committee in which the Security Council will consider and identify a problem and challenge that has been raised by some incoming cable or perhaps some rapidly developing situation or some long-term problem, the whole question of the

Mideast, for example, the very successful and very commendable negotiations that George Shultz carried on to secure the withdrawal agreement by Israel from Lebanon, all of that is, first of all, an ongoing problem that has been around for something like over 1,000 years and we get in on it at particular points.

There are daily meetings of people at somewhat lower levels in the State Department and National Security staff and our Department. They draw up a paper making recommendations and coordinate it. I may have some problems with it. George may have some. It is revised, it then goes to the Security Council as a whole.

The President is consulted at every step of the process. He frequently has all kinds of changes he may want to make in an individual paper.

Ultimately it emerges, if it is that important, in a National Security decision document. That is our marching order; it is then executed.

Basically the process works, I think, extremely well. I think it works better than I have seen it working in the previous tours in which I have been fortunate enough to be in the Government.

The design of it, and obviously there may be individual points at which it breaks down, is to get the maximum number of opinions, even though they may be widely differing, succinctly and concisely stated before the President so that he can make a fully informed decision.

In a much smaller way and under a different set of procedures that is exactly what we did in Sacramento when he was Governor of California.

Senator EXON. Thank you, and I thank the Chair.

Chairman TOWER. Senator Jepsen.

Senator JEPSEN. Thank you, Mr. Chairman.

I want to commend you for taking the initiative to examine the organization and the operation of the Department of Defense. This is a timely issue and this organizational hearing is long overdue.

Second, I wish to commend you, Mr. Secretary, for your performance, dedication, and resolve, as Secretary of Defense. I said both before and after your confirmation that you were the right man in the right place at the right time and we would get more for our bucks.

It is ironic that your audits have provided these examples which are used by your critics before the cameras and other media.

I would also point out it is being done mainly by those in Congress who do not have oversight responsibilities in military matters as we do in the Armed Services Committee.

It seems, however, the Department of Defense by its very nature is not capable of effectively managing the increase in military spending that has been authorized and appropriated by Congress, growing from a planned staff of three special assistants in support personnel in 1947 to its present size of 88,000. In the process, it has gained a perception of being a rather sad example of bureaucracy by the public.

Now, we find those who do want to take a 25-cent bolt that is now $1.25 and cry tears over it will get roaring headlines, while this committee will reduce the defense spending requests considerably. In my particular subcommittee we did that with the pay bill just a couple years ago to come in with $370 million less than was recommended and authorized by the administration, and very little was reported about it.

Be that as it may, we need to work together to do a better job in all areas of Government. The Department of Defense is the one which comes under the most fire to get better mileage for the taxpayer's dollar and I know you agree with that.

Let me provide you just one example that concerns my subcommittee and that is the oversight we have in military medicine. We have poured millions of dollars into improving military medicine each year.

Starting in 1979 under Senator Nunn's leadership and continuing in 1981 when I assumed chairmanship of that subcommittee we have continually pushed and probed to get a handle on our medical problems.

A large percentage of the appropriated funds are used to maintain duplicate facilities for each of the services. Our ability to provide medical care to our troops in combat according to all our surveys, research, and testimony has not specifically improved.

Mr. Secretary, is it my understanding that the Department of Defense is studying the creation of a defense health agency to consolidate many of the peacetime administrative functions of the military medicine in one agency. What is the status of your efforts in this area and what are the plans to remedy the problem that we have in our shortage or inability to provide adequate medical care to our troops should they be engaged in combat?

Secretary **Weinberger**. The status of the study to determine whether or not it would be cost effective and improve the quality of health care to create a defense health agency is nearing completion.

It is being commented on now by the services. As you might have suspected, there are some unfavorable comments about the concept as a whole. Very few people in my experience want to be consolidated. It is essential that we get very fair comments on this.

We also have outside people who have worked on this problem, including Dr. Cooper who was the Assistant Secretary for Health at HEW and one of the most able people in the country.

They will all look at the recommendations of this group. It was, we believe, a broadly based group.

If the conclusion is that it would improve the quality of health care and enable us to do it in the most cost-effective manner in the military, then we would recommend very strongly the creation of that kind of unit.

If it would not, we would try to improve the delivery of the health care to the individual unit. Bear in mind each service has a different mission and there are different medical and health problems.

My own feeling is, and I have not yet reached any formal conclusion because the study is not complete, that there would be some very considerable savings in this kind of coordination and consolidation. If we reach that conclusion or whatever conclusion we reach, we will certainly consult with your subcommittee and with the Congress generally and make our recommendations accordingly.

On the second point, I think that there is a good quality of health care at the moment, but it certainly could be improved. Our concern is the very one you expressed, as to whether or not this could be expanded rapidly should we ever have to go to mobilization. We have done some work in this area.

For example, we have identified a large number of civilian hospital beds that would be made available to us. We would have procedures for moving very rapidly in the recruitment and calling up of reserve physicians and other health specialists. We are going about the acquisition of hospital ships.

You have identified a very major need and area of activity for the Department and obviously more should be done. We would be very glad to work closely with you on it.

Senator **Jepsen**. Thank you.

Thank you, Mr. Chairman.

Chairman **Tower**. Senator Levin.

Senator **Levin**. Thank you, Mr. Chairman.

Mr. Secretary, welcome.

Mr. Secretary, as you know, a number of us in the Congress on a bipartisan basis have been pushing for increased competition in procurement for a number of years. Frankly, we have run into a lot of opposition by the Defense Department when we have tried to take those steps.

In 1981, 1982, and 1983, we offered an amendment to defense authorization bills as they passed the Senate, to make it harder to enter into sole-source contracts. However, opposition the Defense Department stimulated in the House resulted in its being dropped in conference.

Then a simple bill came through the Small Business Committee that would increase competition and attempted to publicize sole-source contracts. That bill has been battled every step of the way by the Defense Department.

As a matter of fact, in one final salvo against it, Secretary Gilleece was able to sidetrack it even after the conference report was issued.

Earlier this year, I offered a simple amendment to S. 338, a competition bill that Senator Cohen, myself, and others introduced. The amendment would return the threshold under which the certification that price is actually correct is required to the same level that the rest of the Federal Government uses for its auditing.

Before the Governmental Affairs Committee we had your deputy inspector general supporting the amendment as well as the Defense Contract Audit Agency, but the official position of the Defense Department represented again in Secretary Gilleece's testimony was opposition to the amendment which would have reduced waste in the Defense Department.

These efforts to streamline the procurement process have been made on a bipartisan basis over a number of years. Yet the message that we have received is opposition.

Most recently we offered on the Senate floor a spare parts amendment which would require you as Secretary to issue regulations which would set allowable maximum limits on increases in the cost of spare parts.

If your contracting officer wants to pay more than that, the regulation would require the contracting officer to specifically certify the price of the spare.

We hope you can find a way to support that amendment when it comes to the President's desk hopefully for his signature.

Another issue before the committee, on which we have some problems with the Defense Department, is the structure of the Joint Chiefs of Staff.

We had General Jones, the former Chairman of the Joint Chiefs of Staff, testify before this committee last December. He believes a number of structural changes have to be made in the Joint Chiefs so their views and counsel can be heard, and we don't just get the lowest common denominator when we ask for advice from the Joint Chiefs, but we strengthen the Chairman's office in the Joint Chiefs.

I would for the record, Mr. Chairman, ask the Secretary if he would comment on the recommendations of General Jones that appear at pages 24 and 25 of the transcript of the report of that hearing of the Armed Services Committee on December 16.

I will not use my time today to ask for a response to that. I would prefer to do it for the record if that is all right.

Chairman **Tower**. Yes.

Senator **Levin**. I would like to get briefly into a question that is on people's minds. That is the advice of the Joint Chiefs of Staff, which is the subject before us, as the chairman put it when he set up these hearings, just how useful and timely that advice is to the President and the Congress.

The effectiveness of that advice is critical. The question is as to the views that the President receives from the Joint Chiefs.

What was the Joint Chiefs of Staff's views to the President? He communicated to the country a much larger scale military exercise which was just announced in Central America than has previously taken place in Latin America.

Was that the advice of the Joint Chiefs?

Chairman **Tower**. Senator, at the outset I asked members to refrain from questioning on anything but the subject matter at hand and specifically mentioned the Central American maneuvers.

We will be holding a hearing very shortly on that. I would prefer to reserve any questions on that subject until that time.

Senator **Levin**. The question relates to advice of the Joint Chiefs which is the subject of the hearings as to how well that advice is transmitted to the executive and legislative branches.

I am using a current example of it to ask whether or not this advice was received from the Joint Chiefs. I think it is very much relevant to the subject of the hearing.

Chairman **Tower**. I will say that the Secretary may comment on that if he wants to at this time. We will have more hearings on that and we will get into that total subject in depth.

Senator **Levin**. I think that would be useful.

Secretary **Weinberger**. I would like to comment, Mr. Chairman. I appreciate the opportunity to comment on the question.

Senator **Levin**. Let me specifically ask the question again.

Secretary **Weinberger**. I was going to carry out the chairman's suggestion to comment and the comment, as far as the matters for this hearing are concerned, whether or not the advice reaches the President, is that the President and the Chairman of the Joint Chiefs do have full opportunity to consider the advice that is put together by the Joint Chiefs.

The process flows through me directly to the President. The Joint Chiefs and the Chairman meet with the President regularly.

The Chairman attends all of the National Security Council meetings; contributes his advice frequently to the President on all these matters; and contributes it to me.

Also, I think it is significant and instructive to note that the Joint Chiefs have stated many times and have authorized me to say that the relationship they have with the Secretary and with the President is better than at any time they have experienced in their long careers. The opportunity for their advice to reach the decisionmakers and the Secretary and the President is free and open and reaches the President on a very regular basis.

I also would like to comment on your remarks about competition and the response of the Department to the so-called allowable rates of increases for spare parts.

Senator, I don't think you and I have any difference on the idea that we should not pay improper or unreasonable prices for spare parts. I would like to point out to you that allowable cost increases can conceivably force us to a much higher price than we need pay.

What we would like to do is start from the very beginning and get reasonable spare parts prices in our contract and through the procurement process. We certainly want to use all the competition we can find.

We want to keep cost increases down to the point where we are showing either less than the original parts cost or a minimal increase. Increases would be fully justified.

On competition, we encourage and seek it. You can't force competition. Sometimes we use defense funds to dual-source for competitive purposes and we are willing to do that particularly when the Congress directs us.

Competition is nothing that is refused. I think you will find if you examine the contracts that competition, as opposed to sole source, has increased in many areas as, indeed it should.

I would like to have a great deal more competition, but I have not yet devised a method to force someone to bid on something they don't want to bid on. One of the ways is to try to encourage it is by subsidy, but if your subsidy exceeds the benefit of competition, it is not useful to proceed.

On spare parts, I want to get not an allowable cost increase, but far below what they previously cost, if I can.

Senator LEVIN. For the record, I would note that my question was not answered relative to whether the advice on prior exercises is on a larger scale than was announced. I will ask that for the record.

Chairman TOWER. Senator, I would hope you would reserve that question for our hearing on the subject.

Senator LEVIN. I think it does relate to the hearing before us. I will ask that question at that hearing.

I thank the Chairman for calling the hearing.

Chairman TOWER. Senator Quayle.

Senator QUAYLE. I also want to commend you for having these hearings.

First of all, Mr. Secretary, I want to echo and heartily endorse your endorsement of the 2-year budget process.

I would just point out to those Senators who are still here, we are not going to get a defense authorization at least until September. We are not likely to get a defense authorization bill until September of 1984 for fiscal year 1985.

The budget process——

Chairman TOWER. Let me intervene to say we hope to get a conference with the House next week and get a conference report out before the recess.

Senator QUAYLE. I want the record to show that the chairman is smiling a bit when he says he hopes to get that out before the recess.

I think not only with respect to the Defense Department, but also other departments we have to do something about the budget process we have here in the Congress. I think the 2-year budget process is a step in the right direction.

I would urge those of you who are not cosponsors of the Quayle-Ford 2-year budget process that you might rethink your position in lieu of the Secretary's statement.

I also am encouraged by the attention you paid to the cooperation between the executive and congressional branches where the responsibility is for raising arms.

You pointed out some of the things that you would like to see. It is a two-way street and we do need assistance and cooperation to build any kind of public support. I am gratified that you have paid a significant amount of attention to that.

These hearings are going to deal with structural reform. In your statement you mention many areas. I wonder if we might focus on the Joint Chiefs of Staff for a moment.

There has been a lot of discussion in the past about whether the Chairman of the Joint Chiefs ought to have more power than he does. There has been some concern or question whether the Joint Chiefs ought to be more involved in the budget and the managing.

Do you believe as we go through these hearings that we ought to seriously look at this? Perhaps you can assist us in making any recommendations on changes in the structure of the Joint Chiefs or are you perfectly satisfied the way it is operating now?

Secretary WEINBERGER. Senator, it is working very well now. We have to bear in mind that people and their relationships with each other are the most important part of any kind of administrative or management organization.

There are some changes which we would like to make and we have recommended them to Chairman Nichols' subcommittee and basically they are fairly simple.

We did not agree with a lot of suggestions that General Jones made. That does not mean they were necessarily good or bad.

By the same token I don't think we are required to agree with every suggestion made. I believe the Chairman of the Joint Chiefs of Staff should be formally inserted in the chain of command. The tours of the officers on the Joint Staff should be extended to 4 years and they should be allowed to be reassigned if they have done particularly good work.

We think that the prohibition, which was rather artificial, for 400 officer limitation should be rescinded. Internally there are a lot of changes that have been made. We rejected the idea of a formal Deputy Chairman. Chairman Vessey now designates a person to serve as as Acting Chairman on a quarterly basis to serve whenever he has to be away on military duties. Presently it is Admiral Watkins. That works very well. We all know exactly who will be there. You don't have the additional staffing and offices and all that would be required if there were a formal Deputy Chairman.

We don't think that it is necessary to establish additional advisory committees. We are, fortunately, able to get advice of people by picking up the telephone, and again the more formal or structured those organizations are the more cumbersome and expensive they become.

We have turned down a lot of proposals. We have accepted a lot, but the ones we have accepted are the ones that the Joint Chiefs themselves have recommended.

Senator QUAYLE. Do you think they should be more formally involved in budgetary matters?

Secretary WEINBERGER. They are, Senator.

Senator QUAYLE. One problem that we have and I think Senator Nunn alluded to it is the joint projects. We all have our list of joint projects. They are high priorities with you and with OSD, but when it comes to the actual implementation by the services it is very low priority because they have to share.

Therefore, we also turn to the branches and to you, but the Joint Chiefs do not seem to be that much involved in communications to us after the budget is submitted. At least that is the impression that we get.

Secretary WEINBERGER. Let me try my best to correct that because the process works like this.

We set the defense guidance which is national strategy, the national objective, in a way to protect the national interest.

Then the services, and remember that the Chief of each service is a member of the Joint Chiefs acting in his individual capacity, bring in their so-called POM's by which they tell us the amounts they think they will need to carry out the objectives that would be assigned to their services.

Those are then considered very carefully all up the chain and the Chiefs of Staff of the services and all members of the Joint Chiefs consider this very carefully and ultimately submit these POM's and then they are resubmitted to the Defense Resources Board.

The Board, first of all, holds hearings for the commanders in chief and the process for 1985, has been going on for 2 weeks.

The only reason I am not there today is because I am here. At every one of those meetings all of the Joint Chiefs are present. They either will defend their service's recommendation or having considered it as part of the Joint Chiefs, they may want to modify it.

Then that process continues and there are additional revision sessions later on when we have the final guidance from the President as to what the total defense budget will be. Those are very wrenching and difficult sessions because everything in the POM, so-called, has a high priority. Obviously some are higher than others.

Ultimately it is worked down to the amount that the President has given us as the total guidance. At every step of that procedure the chief of the service as well as the Secretary of the service and the Chairman is involved, commanders in chief are involved, and then ultimately that product goes to the President for discussion with him at which time the Joint Chiefs and the Chairman are also present.

I don't know what the process used to be. I am told it has not always been that way. Now it involves these people as well as the civilian management of the Department, as it should.

So that while it is a long and difficult process and enormously time consuming, none of us can think of anything more important to do than to work those budget requests out promptly.

Senator **Quayle**. My time is up.

Chairman **Tower**. Senator Bingaman.

Senator **Bingaman**. Thank you, Mr. Chairman.

I would like to ask about the partnership between Congress and the executive branch that you discussed in your opening statement.

I guess I am concerned about the extent of the communication flow or perhaps the timing of it. There have been instances, based on what I have observed, where the Department of Defense has had press briefings on activities of the Department of Defense a day or several days before they have had briefings for Congress or its staff.

In your opinion, is that a justified procedure?

Secretary **Weinberger**. I would not be able, I think, to characterize it as justified or unjustified on the basis of a generalized question.

There are certain topics that perhaps have already been discussed with individual members or something of that kind. The gist of my answer would be that I believe in and favor the strongest and most complete kind of consultation and discussion as far ahead of time as we can possibly have it.

We have had press briefings from time to time and they may have been prior to congressional briefings. There may have been scheduling problems. There should be consultation.

It is a partnership and the Constitution does require it. I think it is essential we operate that way. I don't know what specific instance you are referring to, but we would certainly try to have our consultation with the Congress and with its leadership.

Frequently I am on the phone to the chairman or ranking minority member of many committees and indicate to them various matters that are then taken up in briefings or as part of the decision process.

I believe in the fullest, freest, fairest consultation and a true partnership and that is what we try to carry out.

Senator **Bingaman**. Mr. Secretary, the instance that I had in mind is perhaps outside the scope of this hearing, but I will just indicate what it is and you perhaps can comment at the time of the later hearing.

It is with regard to the announcement of the recent maneuvers in Central America. I understand that that information was in the Saturday paper, there was a press briefing on Monday, my staff was notified there would be a briefing for congressional staff Tuesday and on Wednesday there was a briefing.

Secretary **Weinberger**. I am not sure that is the one you referred to or not. The simple fact is maneuvers are a very standard part of the Department's activities. Exercises of all kinds are conducted all over the world on a regular basis.

I don't know of any prebriefing of Congress on individual maneuvers, but we are certainly delighted to do it and will do it for all future maneuvers if that is what is desired.

These are exercises and they involve things that the military has done many times before on varying scales and varying years. To my knowledge, during the time I have been there I am not really aware of any special prebriefing of the Congress on any particular individual maneuver or exercise.

We have briefed the Congress on these exercises and we will be glad to do future briefings that anyone wants.

Senator **Bingaman**. You would not take the fact that the press would be sufficiently interested to request a briefing as indication that Congress would like a simultaneous briefing?

Secretary **Weinberger**. On maneuvers there is a standard practice of advising or announcing, and doing it through the media, of particular exercises, that they will be held between August 1 and August 15, or something, and that they will consist of forces that number such and such.

There are three others I know of going on in different parts of the world and the press is briefed in a routine way about those. I don't know whether Congress was briefed formally or not. It has not been the practice because I suppose there has not been that much interest in briefings on particular maneuvers.

Any time it is desired that there be briefings on any of them or all of them, it can certainly be done. Again, there wasn't any desire to hide anything.

There is a routine discussion or briefing or background, if you like, on maneuvers and on exercises a few days before they happen. That is, I believe, posted and discussed in the press room. They could be discussed anywhere anybody wants.

Senator **Bingaman**. I gather my time has expired. Thank you.

Chairman **Tower**. Let us limit everybody to one short question each, and we will go another round with those who are remaining.

Senator Nunn?

Senator **Nunn**. I had three I wanted to ask. I will try to prioritize them.

Chairman **Tower**. We will keep the record open until close of business today for any questions you want answered in writing. I have submitted a number.

Senator **Nunn**. Mr. Secretary, Senator Quayle made reference to the 2-year budget cycle.

By the way, you can put me on as cosponsor of that bill. I am delighted to join. I have another bill which I invite others to cosponsor, and I will ask your reaction if you would like to think about it. The bill contains the 2-year budget cycle for appropriations and authorizations. That would be step one which Senator Quayle has already covered.

Another step would be to merge the Budget Committee and Appropriations Committee. We would have one functioning committee that would be called either Appropriations-Budget or Budget-Appropriations, depending on your preference.

Third, the authorizing committees would then become appropriating committees and we would eliminate the dual process.

Chairman **Tower**. That is a splendid plan.

Senator **Nunn**. We would eliminate dual process which we simply cannot afford in the 1980's. There is no possibility that we can continue to have appropriations and authorizations, spending 2½ weeks on an armed services bill in the summer and spending another week and a half or 2 weeks in the fall.

Secretary **Weinberger**. Senator, may I take 4½ seconds and endorse it absolutely, enthusiastically, and unreservedly. It would be a tremendous boon and benefit to all.

I have to say with a certain amount of local pride, that is the way we did it in the California Legislature.

Senator **Nunn** That gives me some pause. [Laughter.]

Chairman **Tower**. That is also the way we do it in Texas.

Senator Quayle.

Senator **Quayle**. Mr. Secretary, just reading your memorandum here on July 25 that you put out on the spare parts procurement, which is a fairly tough and straightforward letter which obviously shows there have been some real problems, I commend you for the letter.

Could you briefly tell us how we got into this situation? We obviously have had isolated cases that you are going to take immediate steps to try to correct.

How did we get into such a situation which led to a very tough letter of reprimand for things that have been going on.

Secretary **Weinberger**. Unfortunately, it is kind of easy from my perspective to find out how it happened. I must say I am a little disappointed that having discovered the bank robbery, so to speak, we stand accused of making it as opposed to having discovered it and taken steps to stop it.

First of all, a basic provision in contracts of several years ago permitted, practically speaking, the supplier to set his own price. Frequently the contracts require us to purchase spare parts from the manufacturer of the original weapon system.

Both of those are bad provisions. When spare parts were wanted people had a feeling that their performance was measured by the rapidity with which they responded. If I demanded 18 widgets by evening, someone would like to bring them to my office by 5 o'clock that night, no questions asked about price.

The ordering is always done by catalog number, X10116B or something, and the price $400. What he does not look at is whether that is a claw hammer and it could easily be obtained from a Federal supply schedule. So, instead of having cost consciousness, we have the simple desire to just race through the paperwork and get it out as quickly as possible.

We have a combination of those factors. When you have unconscionable employees of the supplier who realize what is happening and allow it to continue to happen, forgetting they are taxpayers and citizens too, then you have the makings of an extremely difficult situation that has to be corrected.

We found out about it and we took immediate steps to reach all of those things that are causing it. If we find something else that is causing it or some other kind of problem, you may be sure that I am going to be the one that announces it and take the steps to stop it.

I am not going to defend for 1 minute what has happened. It has been going on far too long. I am proud that we found it and proud that we took the steps necessary that I think will correct it.

Senator **Quayle**. May I have a followup question, Mr. Chairman.

Chairman **Tower**. Let us give Senator Bingaman an opportunity.

Senator **Bingaman**. I will yield to Senator Quayle.

Senator **Quayle**. On spare parts I have been told by some of the contractors that one of the problems is they go in and need two or three of this and say they need it right away. Then they will go back in a couple of months and place an order for a similar quantity.

I wonder if we ought to limit the number of spare parts contracts for certain items to maybe one a year or two a year?

From the contractor's point of view that seems to be the problem. You sort of indicated they hurried and rushed orders out of the catalog to various military customers. Perhaps we ought to look at the spare parts procurement process to see if we can spend these billions of dollars in a more comprehensive and logical way rather than this piecemeal approach.

Secretary **Weinberger**. The problem is that spare parts is a critical part of readiness. We have to carry a larger inventory of spare parts than would ever be done in a private business. We have to be able to put these very expensive machines, planes, ships, guns, vehicles, whatever, in a situation where they can be kept in service, frequently far longer than perhaps they were intended to be.

So, we have to have an ample inventory of these various parts on hand. We can't in effect, for example, say to the Russians that we will get delivery by next March and will everything please wait until then. We have to have them ready. That in itself puts us in a situation where we can be subjected to much higher pricing than perhaps we would like.

What we have done here in these 10 points is to try to insure that we keep control of the pricing process and that we work out in the original contracts an agreement to supply at prices that reflect cost and at a fair profit.

I don't object to a fair profit, but what we have been seeing here is utterly ridiculous. That is why we have demanded refunds.

Again, we want to keep a sense of proportion. It is not 100 percent by any means. It is a small percent, but it is too much. One percent is too much for this kind of practice.

I don't know of any way we can require that we only fill necessary stocks on a periodic basis. We have to make sure that we are always ready to put these things, that we all hope we will never have to use, into immediate action.

Chairman **Tower**. Senator Bingaman.

Senator **Bingaman**. Thank you.

I don't want to ask another question on the issue we dealt with before, but I would like to state for the record if there are any additional routine maneuvers scheduled in Latin America, I would appreciate being advised.

Secretary **Weinberger**. Do you limit it to Latin America?

Senator **Bingaman**. Latin America will be fine.

Secretary Weinberger. This afternoon we will tell you exactly what is planned.

Senator Bingaman. Routine 5 to 6 months?

Secretary Weinberger. They are varying lengths and frequency. I think Bright Star will run about 3 months, from beginning to final reassignment.

We will brief you on anything you would like, Senator. We will tell you about the ones all over the world that are scheduled for the next few months.

Senator Bingaman. That would be appreciated.

Let me ask you about multiyear procurement which you endorsed in your earlier statement. This is picking up on an issue that Senator Nunn has pursued.

Obviously the benefits of multiyear procurement are fairly obvious and most people agree with them, that you do save money.

The concern which some of us have had with multiyear in certain cases is that it commits us to a production schedule which as a practical matter locks us into building more of something than we really want to build.

The B–1 bomber is one example that we dealt with in the defense authorization bill this year. As I understand it, the multiyear production schedule that we agreed to commits us to build an increasing number, I think reaching a peak of 48 in 1986.

Could you allay my fears with regard to that and assure us that the Defense Department will in fact go from 48 B–1 bombers to zero from 1986 to 1987 in the request to Congress?

Secretary Weinberger. When the total buy is complete we will certainly go to zero because the money will run out and we don't want or need any more.

The amount that we have requested is for the advanced technology bomber, the amount that we believe we will need through the nineties. That is essentially what the request consists of.

Let me, if I might, comment briefly on that. I think we ought to separate out the question of whether or not we want the system or the weapon itself as opposed to the most economical and efficient way to procure it.

I would suggest that a lot of the opposition to multiyear procurement from the B–1 comes from people who still don't like the idea of acquiring that plane, therefore are worried that a request for the plane is something they would vote against and if that goes against them, then they would not want to encourage, by voting for multiyear procurement, the most economical way to buy it.

Our point is once the basic decision is made that something is needed, and I go back to the two carriers because I think it is generally conceded by certainly the large majority of the people that the carriers will be needed, then the question is what is the most efficient and best way to try to acquire them.

In the case of the B–1, the basic decision was made that we need a B–1 to replace the B–52, and I, of course, am convinced that we do. Then we come to the next question, what is the best way to acquire it, what is the cheapest way to acquire it? We can save a very substantial amount of money, well into the billions over the years of acquisition if we make the contract for the full amount and advise the manufacturer, let him assemble and keep his work force, let him acquire the parts needed, and let him set up the mass production to the extent that he can.

That is what saves the money. I believe very strongly that once the decision is made, that we should stay with that decision and not keep chipping away at it or force it to be reopened each year because that is what costs money.

Senator Bingaman. Thank you, Mr. Chairman.

Chairman Tower. I told the Secretary we could release him at noon. He did accommodate us by changing his schedule. We were originally scheduled to hold the hearing on Tuesday, but action on the floor intervened.

Senator Nunn wanted to ask one more question. If you could make it brief and submit the balance of your questions.

Senator Nunn. ~~I will~~ make a very brief observation on the B-1. There is more to it than what could be the cheapest way to procure it.

There are a number of criteria that the General Accounting Office and others have suggested in deciding on a multiyear procurement system including certainty of design, how many you are going to produce before you actually fly a test model, all of those things, but that is a subject for another debate. It is more complicated.

One more question, Mr. Chairman.

Do you have a date for the Central America hearings?

I think that is enormously important. This committee has not gotten into that. There are a number of military questions including what kind of training are we giving down there in El Salvador, how much is it going to cost, are we willing to stick with it over a long enough period of time?

All of these things are important. What commitment we have made to Honduras, if any, and so forth. I would like to get into that as soon as possible.

Do you have a date in mind?

Chairman Tower. I don't have a date. I will have to consult with Senator Jackson. We will find a date mutually agreeable. It will be next week.

Senator Nunn. May I ask one question briefly on the Honduras situation?

Are those combat forces going down to Honduras?

Secretary Weinberger. No, sir, they are not.

Let me try to clarify——

Chairman Tower. I think it would be better to reserve that question for our hearing because we are trying to confine this to administrative reform. That is what we have tried to focus on today. I assure you we will get into this matter adequately.

Mr. Secretary, we appreciate your appearance today.

We will have a number of questions for the record. They will be vital for us to develop a valid data base from which to proceed.

We hope any additional observations, you have as to the administrative reform of the Department will be forthcoming.

We recognize the bureaucracy that you have was created by Congress. If you see flaws in it that you think can and should be corrected, and must be corrected legislatively but cannot be corrected administratively, we hope you will identify those and present them to us.

We would also enlist the cooperation of your secretariat and all of the officials, both civilian and military, in the Pentagon in pursuing our inquiry. We hope they will be forthcoming when they appear before the committee.

Secretary **Weinberger**. They certainly will be, Mr. Chairman.

I would like to thank you and the committee for another very fair and characteristically open and helpful hearing and we look forward to future hearings on this or on any subject on which you care to call us.

We appreciate very much the way we were received this morning.

Chairman **Tower**. Thank you, Mr. Secretary.

[The questions submitted by members of the Senate Armed Services Committee to be answered by Secretary Weinberger follow:]

Questions Submitted by Senator John Tower, to Secretary of Defense Caspar Weinberger, With Official Reply by the Department of Defense

CIVILIAN VERSUS MILITARY ADVICE AND JUDGMENTS

Senator **Tower**. Given the substantial growth in the civilian bureaucracy of the Department of Defense and the creation of numerous Ad Hoc management bodies, does civilian advice and judgments on key defense issues now overshadow military advice and judgments?

Answer. As indicated in my opening statement, I value highly the advice of the senior military officials in the Department of Defense and have, accordingly, taken steps to expand the frequency and breadth of communications between them and the Secretary of Defense. I hear regularly, on a formal and informal basis, from the Commanders of the Unified and Specified Commands, the members of the Joint Chiefs of Staff and the Chairman of the Joint Chiefs of Staff on a scale far beyond that which has been customary for many years. This cumulative process has been working well and, as a result, the advice and judgments of our military leaders play a far greater role in Defense decision-making than has been the case for quite some time.

I value their counsel highly and it has not been in any way "overshadowed" by my civilian advisors.

Senator **Tower**. When you, as Secretary of Defense, make decisions on complex and controversial defense programs, are your key advisors primarily civilian or military?

Answer. My key advisors include both military and civilian officials. Both groups for example, are represented on the Armed Forces Policy Council and the Defense Resources Board, both have personal access to my office, and I listen to the advice of each with great interest and respect. In a particular case, one or the other may be more clearly expert on the immediate issue under consideration, but I am nevertheless interested in receiving views from military and civilian sources, and I make my decisions based upon the saliency and soundness of the recommendations made, not upon the presence or absence of a military uniform on the individual making them.

Senator **Tower**. How do you insure in your decision-making process that you are receiving the maximum contributions from the professional military?

Answer. As indicated in my opening remarks, the Commanders of the Unified and Specified Commands appear before the Defense Resources Board twice yearly and provide me directly with quarterly written reports. In addition, I meet with many of them informally, either at their command headquarters or here in Washington. I meet with the Chairman or acting chairman of the Joint Chiefs of Staff at least daily in a regularly scheduled session, in addition to many less formal meetings. I also meet with the Joint Chiefs as a group at least once a week. In addition, the Chairman of the Joint Chiefs of Staff is a member of the Defense Resources Board and he, along with each of the Service Chiefs of Staff, are members of the Armed Forces Policy Council.

I firmly believe that this administration has taken positive steps to ensure that the voice of this nation's professional military is heard and given full consideration in the Department of Defense decisionmaking process—on both the formal and informal levels.

DUPLICATION OF EFFORT/LAYERS OF STAFF REVIEW

Senator TOWER. Has the substantial growth in the Headquarters bureaucracy of the Department of Defense led to unnecessary duplication of effort among the various staffs and to redundant, repetitive, and time-consuming layers of staff review?

ANSWER. While there has been some growth in the cumulative size of DOD headquarters as we have moved to expand the nation's military readiness and capabilities during the past few years, the Department's headquarters structure is relatively slim when viewed in historical terms as well as in terms of its size relative to the overall size and complexity of the DOD.

In 1973, the DOD began keeping records of the size of its Management Headquarters (that is, those organizations engaged primarily in policy-making and managerial activities as distinct from operational functions). Since that time, the overall size of DOD Management Headquarters structure has declined from approximately 115,000 to a projected FY 1984 level of 82,500—an overall decrease of 28 percent. During this same period, the size of DOD top-level Management Headquarters (that is, the Office of the Secretary of Defense, the Service Secretariats, and the Service Staffs) has declined more than 35 percent; from a total of 18,565 to 12,159. These top-level Management Headquarters currently constitute less than $\frac{4}{10}$ of 1 percent of the total size of the Department of Defense.

While I would not presume to suggest that further streamlining cannot be achieved, I do not believe that there is a substantial amount of duplication and redundancy within the Department's headquarters structure.

Senator TOWER. To what extent has this duplication of effort and layers of staff review slowed and weakened the capabilities of the Department of Defense for creative and flexible problem-solving? In particular, has this duplication and staff layering lengthened with resulting cost increases, the time between the conception of a weapon system and its initial operational capability?

ANSWER. As indicated in my response to your previous question, although there is room for improvement, I do not believe there is an excessive amount of duplication and layering in the Department of Defense. In any event, the lengthened time it takes to field new weapon systems from their initial conception and the increased costs of those systems are due more to their inherent technical complexity, systemic inefficiencies imposed on the Defense procurement system, and the absence of adequate competition for Defense contracts, than to problems of organizational configuration.

In my initial remarks, I suggested that the adaption of multi year procurement, the stimulation of increased competition, and measures which permit the maintenance of economic production rates, would achieve substantial long-term benefits and savings in the weapons development and acquisition process. I believe measures such as these can be far more effective in improving DOD management than modifications in its organizational structure.

OVERCENTRALIZATION

Senator TOWER. Given the growth in the size of the Office of the Secretary of Defense and other Departmental headquarters organizations and in the number of Ad Hoc management organizations, it appears that the trend is toward more centralized defense decision-making. Are you concerned that an excessively centralized system has been created?

ANSWER. I do not necessarily agree with your basic premise, for reasons already stated, regarding the growth of management and headquarters organizations in the Department of Defense. Nevertheless, I have taken a series of steps to avoid the central concern addressed in your question—excessive and unnecessary centralization of DOD decisionmaking. The specific actions taken were addressed in some detail in my opening remarks. Essentially, we have made changes in management arrangements to provide for:

Centralized, but participative policy formulation;

Decentralized policy execution, monitored by the policy maker;

An enhanced role for the Service Secretaries in DOD decision-making;

Increased consultation with major field commanders as well as with the Chairman and members of the Joint Chiefs of Staff.

These and associated management initiatives, such as streamlining the acquisition process and expanding the role of the Defense Resources Board, I believe, will insure that management in the Department of Defense does not become overcentralized.

Senator TOWER. In a system with strong centralization tendencies, how does one avoid preoccupation with details better left to management by the Military Departments or appropriate field activities?

ANSWER. I believe this can be best accomplished through the means I have just described—a management system which emphasizes centralized but participative policy formulation while at the same time actively encouraging decentralized program execution. Under this arrangement, those at the top of the Department's decision-making structure concentrate on major policy decisions, the definition of planning goals, and the allocation of resources in a manner which provides the means necessary to meet our national military strategy.

Within this context, subordinate line executives are held accountable for the development and execution of programs and the day-to-day management decisions necessary to execute approved plans and policy decisions.

In an organization as large and complex as the Department of Defense, the Chief executive cannot effectively manage if he and his staff are preoccupied with details. The system of "controlled decentralization" which I have just described helps to avoid the pitfalls of micro-management while at the same time encouraging initiative and creative imagination throughout the Department's management structure.

COMMISSION ON ORGANIZATION OF THE DEPARTMENT OF DEFENSE

Senator TOWER. While there have been six studies of organization and management of the Department of Defense within the last 8 years, these studies have focused only on narrow aspects of various management issues. The last comprehensive study is the report of the Blue Ribbon Defense Panel of July 1, 1970. In that 13 years which have passed since the last comprehensive study, do you believe that a Commission on DOD Organization should be established by the President?

ANSWER. We do not concede the need for a comprehensive review of DOD organization and management at this time. During the past 13 years, DOD has undergone a number of major reviews, both externally and internally generated. Among the more publicized were the General Accounting Office study of DOD headquarters in 1976, the Defense Manpower Commission Report of 1976, and the exhaustive examinations of Defense organization and management which were conducted by Secretaries Laird, Schlesinger, Rumsfeld and Brown. During the latter's tenure, major organizational changes were implemented; concurrently three major organization studies were undertaken as part of President Carter's Reorganization Project. Upon entering office, I initiated a number of organizational and management changes, including studies of the acquisition process and the DOD Planning, Programming and Budget System. As I mentioned in my statement, these efforts have resulted in substantial continuing benefits for the department. More recently, President Reagan chartered the President's Private Sector Survey on Cost Control (PPSSCC) under its Chairman, J. Peter Grace, to review, among other things, DOD organization and management and to provide recommendations for change. The results of that effort are currently under review.

DUAL-HATTING OF JCS MEMBERS

Senator TOWER. Mr. Secretary, some critics have argued that the Joint Chiefs of Staff are limited by time and Service interests from operating both as Chiefs of their Services and as Members of a Joint Planning Committee like JCS.

Given the current JCS structure, can the Joint Chiefs of Staff make a meaningful contribution on controversial defense issues, particularly ones that involve more than one Service?

Has the "dual-hatting" of the Service Chiefs proven to be a problem during your tenure as Secretary of Defense?

Has it been your experience that too much of the Joint Chief's time is taken up with their Service responsibilities?

ANSWER. The JCS and I have discussed the various criticisms resulting from their "dual-hat" status as both Chief of their Service and member of the body charged as the principal military advisors to the Secretary of Defense and the President—particularly those criticisms related to Service rivalries, divided loyalties, and demands on their time. I am also aware of those proposals to separate those officers responsible for providing military advice from those responsible to train, organize and equip our fighting forces.

I am not convinced separating them is desirable. In fact, I am persuaded that it would be undesirable. Considerable benefits come from the forced discipline on the advisor who must consider his advice in the light of his responsibilities. Each Service Chief's responsibilities as the senior uniformed officer of his own Service distinguishes him as best qualified to advise on the capabilities and limitations of his Service. The current members of the JCS prefer the existing "dual-hat" structure, and so do I. There is no question that the demands upon the Chiefs' time are great. Nevertheless, it is working well, and I have no indications that too much of the Joint Chiefs' time is taken up with their Service responsibilities.

JCS CONTRIBUTION TO DEFENSE BUDGET

Senator TOWER. During the past few years, the JCS have become more involved in the Defense Department process that allocates defense resources.

Mr. Secretary, could you describe the extent to which the Joint Chiefs participate in the program decision process within the Defense Department?

Should JCS be more involved in the allocation of resources?

ANSWER. We have addressed this in detail. We have set in motion a number of changes and are considering others to improve JCS advice in the allocation of resources. The JCS have an important role in validating joint requirements. Their advice is particularly critical on matters which relate most directly to deterrence and to warfighting—especially in cross-Service areas. In this regard the advice of CINCs is crucial as well. Major studies of Defense methods for resource management and programming practices pointed out the lack of "joint" views and recommendations in these areas and urged a strengthened role for the Chairman of the Joint Chiefs of Staff. The studies also criticized the content and timing of the JCS input in the PPB cycle.

To help remedy this, the Chairman has become a voting member of both the Defense Resources Board and the Defense Systems Acquisition Review Committee, allowing him an expanded opportunity for addressing joint programs. As you are aware, our CINCs are called in twice each year to bref the DRB. In their absence, the Chairman has been designated their spokesman. In addition, we have formalized, through an improved planning process, inputs from CINCs and the JCS during the PPBS.

During the past two and one-half years, the Joint Chiefs of Staff have given increased attention to joint or "cross-Service" program in the Program Objective Memorandum process. The development has been largely on an informal basis through cooperation and coordination between my staff, the Services and the Joint Staff. Beginning in 1982, the Joint Chiefs of Staff also began a more thorough addressal of cross-Service programs in the Joint Program Assesment Memorandum, thereby affording a formal and institutionalized means for consideration of joint programs.

I am pleased with this increased consciousness of the need for stronger JCS input the budget and acquisition processes and believe, as I stated before, that the consultative process in which the JCS advise me is working well.

CRITICISMS OF THE JCS STRUCTURE

Senator TOWER. Mr. Secretary, I would like to explore some of the criticisms of the structure of the Joint Chiefs of Staff.

Does the lengthy process of coordination usually carried out within the JCS yield clear, timely advice for the Secretary of Defense and the President?

Does the Chairman of the Joint Chiefs of Staff possess the necessary authority and staff to advise the National Command Authority in times of emergency?

Should the JCS structure be changed to further enhance the role of our senior professional military officers in the development of national security strategy?

Answer. There is no question that to be useful, advice must be timely. I have found JCS advice to be both useful and timely. However, I know that the JCS are working on ways to speed up the response time to be able to provide consistently timely military advice.

The Chairman, Joint Chiefs of Staff and the other members of the JCS have sufficient authority and resources to provide support to the National Command Authorities (NCA) in war and in emergencies and crises. Placing the Chairman in the chain of command is a necessary step to provide smoother functioning of our command system during the transition to war. This question is, in part, influenced by the threat and we must continually evaluate the adequacy of our organization to support the NCA.

With regard to the third part of your question, the Administration proposal for changes in the JCS structure are modest but reflect the results of careful consideration on this matter by the JCS and their unanimous recommendations to me. One change would formally insert the Chairman of the JCS in the chain of command between me and the Commanders of the Unified and Specified Commands. This officially recognizes the role of the nations' highest ranking military officer. The other requested changes concern certain statutory restrictions on the number of officers assigned to the Joint Staff and their tenure. By eliminating the 400 officer ceiling on the Joint Staff, we can do away with artificial arrangements necessary to adequately support the JCS on complex military issues. Permitting an expansion of tour lengths from three to four years adds to the experience base of the Joint Staff and will enhance the support available to the JCS.

CONTRIBUTION OF UNITED COMMANDS TO DEFENSE BUDGET

Senator **Tower**. The unified and specified commands are responsible for maintaining peacetime readiness and carrying out wartime operations. How are the operational deficiencies identified by these commands transmitted and corrected in the resource allocation process?

Answer. The response to this question is closely related to the previous question on the role of the JCS.

The role of the CINCs is a critical one. They are our field commanders, responsible for the direction of forces in the field in peace and war. Their needs relate directly to the effectiveness of deterrence of conflict and to our success should deterrence fail.

In recognition of that, we have improved old reporting systems and opened up new ones, the intent of which is to ensure their needs are heard and acted upon. To inform the military chain of command of operational deficiencies, the commanders of units assigned to the unified and specified commands report the impact of these deficiencies to the Joint Chiefs of Staff in their continually updated Unit Status and Identity Reports. Additionally, the commanders of unified and specified commands address operational deficiencies in their annual Situation Reports to the Joint Chiefs of Staff. I also receive detailed quarterly reports from the commanders of unified and specified commands. I value the advice of these commanders and they appear before the Defense Resources Board twice a year to insure that I hear directly from them regarding the priorities within the Defense program; and, you know that I have designated the Chairman, General Vessey, as their spokesman.

The actual resources to correct a deficiency are provided through the budgets of the Military Services. To obtain these resources, the Service components of the unified commands can submit resource needs to their parent Service for incorporation into the Service Program Objective Memorandum and budget. These resource needs compete within Service channels and the allocation of resources to correct the operational deficiency is dependent on the funding level of the Service budget and the priority assigned to the particular deficiency.

STUDIES OF THE ORGANIZATION AND STRUCTURE OF THE DOD

Senator **Tower**. The Report of the Blue Ribbon Defense Panel contained a total of 113 recommendations in six areas: organization, management of materiel resources, management and procedures, management of personnel resources, other management considerations, and conflicts of interest. The Committee is primarily concerned with the 15 recommendations made with respect to organization and the 21 recommendations made with respect to management and procedures. To what extent have the 36 recommendations of the Report of the Blue Ribbon Defense Panel in these two areas been implemented.

ANSWER. Many of the primary recommendations have been either implemented or implemented with modifications. Some of the more notable implementation actions include the following:

Two Deputy Secretaries of Defense were established, one of which provides day-to-day management oversight the other provided policy direction and oversight of the intelligence function. The latter position was disestablished in 1977.

Washington Headquarters Services was established as a separate field activity in 1977 to provide administrative and operational support to the Office of the Secretary of Defense and other specified DOD activities in the National Capital Region.

A Director of Net Assessment was established in 1971 to provide a capability for assessing the threat to U.S. Security interests. This office reports to the Under Secretary of Defense (Policy).

Responsibility for DOD long-range planning was assigned to the USD(Policy). The process ensures the integration of OJCS and Unified/Specified Commands inputs to a revitalized planning process.

An Executive Secretariat was established (1981) to provide support to the Secretary and Deputy Secretary and to coordinate departmental and interagency matters.

The Defense Mapping Agency was established to provide support on matters concerning mapping, charting and geodesy.

In the area of management and procedures, substantial changes have been implemented which essentially comply with the Panel's recommendations, including:

The Planning, Programming & Budgeting System has been modified to incorporate the following features: early and continuous Secretary of Defense and Presidential involvement; expansion of the roles of the Joint Chiefs of Staff and the Military Departments in all phases; consolidated Defense guidance which addresses fundamental policy and strategy considerations; a modified joint planning process that permits improved participation of the Joint Chiefs and the Unified/Specified Commands; a streamlined program review process; Secretarial performance reviews; and reduced documentation.

The Acquisition process has been modified to include: an improved long-range planning process; achievement of economic production rates; realistic cost, budget and funding figures; improved program management; increased delegation of authority and accountability to the Program Manager to reduce micromanagement from above and from outside; and other actions to reduce acquisition costs, shorten acquisition lead-time, improve weapons support and readiness, and refine the acquisition process.

A number of steps have been implemented to improve the integration of information resource management activities. The functions of information resources technology management, data element standardization, paperwork management and statistical analysis have been combined into a single organization under the Assistant Secretary of Defense (Comptroller).

We have continued to strengthen the Department's audit capabilities. We have established the Department of Defense Inspector General to coordinate Department-wide audit and inspection activities. We have also initiated a program of regular internal control reviews.

Senator TOWER. Have there been any major studies of the organization and structure of the Department of Defense since the Report of the Blue Ribbon Defense Panel of July 1, 1970?

ANSWER. Since the publication of the Blue Ribbon Defense Report of July 1970, a number of major reviews of defense organization and management have been completed. Among the more recent of these efforts were: the General Accounting Office study of DOD headquarters in 1976, the Defense Manpower Commission Report of 1976, the Departmental Headquarters Study of 1978, the National Military Command Structure Study of 1978 and the Defense Resource Management Study of 1979.

Senator **Tower**. To what extent have the recommendations of any such major studies been implemented?

Answer. Among the more noteworthy contributions of recent studies of DOD organization and management are the following:

Departmental headquarters study

The Office of the Deputy Under Secretary of Defense for Policy Planning was established under the USD(Policy); it places increased emphasis on integration and improvement of DOD-wide planning activities, including political military long-range planning and contingency planning.

The first of a series of Defense Policy Guidance documents was incorporated into the fiscal year 1981–85 Consolidated Guidance.

Increased emphasis has been placed on the role of the JCS and the Commanders of the Unified and Specified Commands in defense decision-making, requirements formulation and resource allocation.

Increased emphasis has been placed on the role of the Service Secretaries as managers of their Services; Service Secretaries are now more closely involved with defense decision-making and resource allocation.

Defense resource management study

The Defense Resources Board (DRB) was established (1979) to direct and supervise the OSD review of Service Program Objectives Memoranda and budget submissions, and to present recommendations to the Secretary of Defense.

National military command structure study

We have reinforced the role of the Chairman JCS as the central figure in military planning; the rendering of military advice to the President, the National Security Council and the Secretary of Defense; and the execution of orders emanating from the President as Commander-in-Chief. Proposed legislative changes currently before the Congress would further enhance the Chairman's advisory function by placing the Chairman, JCS, in the national military chain of command.

Increased emphasis is placed on the role of the Chairman, JCS, and the Commanders of the Unified and Specified Commands in requirements determination and resource allocation.

The Chairman, JCS, has been designated as a principal member of the Defense Resources Board and the Defense Systems Acquisition Review Council to strengthen joint military advice in the systems acquisition and resources allocation processes.

RELATIONSHIP OF THE MAJOR MISSIONS OF THE DOD AND ITS ORGANIZATIONAL STRUCTURE

Senator **Tower**. What in your view are the major missions of the Department of Defense?

Answer. The major missions of the Department of Defense, consistent with the National Security Act, are outlined in the Department of Defense Directive 5100.1, Functions of the Department of Defense and its Major Components.

1. To support and defend the Constitution of the United States against all enemies, foreign and domestic.
2. To ensure, by timely and effective military action, the security of the United States, its possessions, and areas vital to its interests.
3. To uphold and advance the national policies and interests of the United States.
4. To safeguard the internal security of the United States.

Senator **Tower**. In that the Office of the Secretary of Defense, the Organization of the Joint Chiefs of Staff, the offices of the Service Secretaries, and the staffs of the Service Chiefs of Staff are organized on a functional basis and the unified commands are organized on a geographic basis, how does the organizational structure of the Department of Defense enhance development and maintenance of military capabilities for the major missions of the Department?

Answer. The Unified Commands are assigned geographic areas of responsibility. They are, however, organized, like the OJCS and their Service Component

Commands, on a functional basis. Accordingly, organizational arrangements for command, control and employment of U.S. military forces are compatible across all operating elements and activities. This arrangement maximizes the contribution of each element and ensures integrated force employment under national command authority.

The Office of the Secretary of Defense is organized to provide policy development, resource management and program evaluation functions for the Secretary. For the most part, the Service Secretariats are functionally parallel to facilitate the integration and coordination of policy. The Service staffs are functionally structured to organize, train, and maintain forces for combatant commands.

Experience has demonstrated that the organizational design of the Department's individual components is compatible with and responsive to the operational missions of the DoD.

In each case the organizational structure has been designed to fit the mission and contribution of each element. The overall result is an integrated defense organization designed to support the National Command Authorities in peace and war.

Senator **Tower**. What other organizations with the Executive Branch have responsibility for any element of the comprehensive national security effort of the United States? What is the nature of these responsibilities?

Answer. As you know, many offices within the Executive Branch are involved either directly or indirectly with national security, from the large and well known departments to the smaller and lesser known agencies. But, outside the Department of Defense, perhaps, the most important organizations, particularly as regards national security policy formulation, are the National Security Council (NSC) and the Department of State.

The National Security Act of 1947, as amended, tasks the NSC "to advise the President with respect to the integration of domestic, foreign, and military policies relating to the national security" and "to assess and appraise the objectives, commitments, and risks of the United States in relation to our actual and potential military power." These responsibilities make the NSC a major player in national security.

Since our foreign policy is intimately entwined with our national security policy, the Department of State is a key organization in policy formulation. The Secretary of State, as the President's principal foreign policy adviser and as a statutory member of the NSC, is, as a matter of course, closely involved in national security affairs.

Senator **Tower**. In the formulation and implementation of national security strategy, policies, and programs, with which other organizations in the Executive Branch does the Department of Defense have a relationship?

Answer. I believe my response to the previous question covers this one also, but let me add that the principals involved in the formulation and implementation of national security policy are supported by the various intelligence agencies, both within and without the Department of Defense. The Central Intelligence Agency, under the auspices of the NSC, is specifically tasked "to correlate and evaluate intelligence relating to the national security"; and, hence, I have established a close working relationship with the Director of the CIA.

Senator **Tower**. Are these relationships appropriate and effective?

Answer. Yes, they are. Coordination with other departments and agencies takes place at all levels, and I am satisfied that our coordination efforts support the national security needs and objectives.

Senator **Tower**. What organization in the Department of Defense has the primary responsibility for coordination with the:

National Security Council;
Office of Management and Budget;
Department of State;
Central Intelligence Agency;
Federal Emergency Management Agency;
Department of Transportation;
Department of Commerce;
Selective Service System; and
Department of the Treasury.

Answer.

Agency/Dept	Coordination Point.
National Security Council	Under Secretary of Defense for Policy.
Office of Management and Budget	Assistant Secretary of Defense (Comptroller).
Department of State	Under Secretary of Defense for Policy.
Central Intelligence Agency	Under Secretary of Defense for Policy.
Federal Emergency Management Agency	Under Secretary of Defense for Policy.
Department of Transportation	Assistant Secretary of Defense (Manpower, Reserve, Affairs, and Logistics).
Department of Commerce	Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics).
Selective Service System	Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics).
Department of the Treasury	Assistant Secretary of Defense (Comptroller).

Senator TOWER. What other organizations within the Department of Defense are authorized to deal directly with these organizations?

ANSWER. For any given issue a variety of offices within the Department of Defense would be dealing directly with other agencies of the government. For example, on a routine basis, the Organization of the Joint Chiefs of Staff would be discussing national security issues with representatives of the NSC, CIA, and State. The Defense Intelligence Agency (DIA), of course, coordinates daily with CIA. As another example, on a particular issue, the Director, Program Analysis and Evaluation, of my staff along with my Comptroller might be working with OMB.

Senator TOWER. How are these relationships managed? In particular, how does the Department of Defense avoid discrepancies in the coordination of activities and policies with other Executive Branch organizations?

ANSWER. Coordination with agencies of the government external to the Department of Defense are conducted at all levels from action/desk officer to heads of departments. Interagency group discussions reinforce the close working relationships between individuals when the issue/situation calls for such meetings. While there may, at times, be occasional lapses in the coordination process, I am in general, pleased with the overall coordination which takes place between DOD and other agencies.

Senator TOWER. Does the executive branch have a formal process for the formulation of a comprehensive national security strategy? If so, what is this process? What documents present a comprehensive national security strategy?

ANSWER. Development of the national security strategy is a mutual effort involving primarily the White House, the Department of State, the Office of the Secretary of Defense, the National Security Council (NSC), and the Organization of the Joint Chiefs of Staff. However, under the direction of the President, and in accordance with National Security Act of 1947, the NSC is specifically tasked with assisting the President in integrating and implementing national security policy. The Assistant to the President for National Security Affairs, in consultation with the regular members of the NSC and with the assistance of the NSC's interagency groups, is responsible for developing, coordinating, and implementing national security strategy.

From problem to policy, significant national security strategy issues proceed from interdepartmental discussion to presidential decision. After problem identification, the issue is addressed in a National Security Study Directive (NSSD). The NSSD considers options along with their supporting rationale and arrives at conclusions and recommendations. These conclusions and recommendations do not necessarily represent a consensus and dissent is clearly indicated in the NSSD. The President reviews the NSSD, makes his decision, and the approved policy/strategy is published in the form of a National Security Decision Directive (NSSD).

In addition to NSDD's, approved national security strategy is enunciated in several other documents; for example, in my Defense Guidance, issued during the Planning, Programming, and Budgeting cycle and in my annual reports to Congress.

OFFICE OF THE SECRETARY OF DEFENSE

Senator **Tower**. In your view, what are the major management responsibilities of the Office of the Secretary of Defense?

Answer. In general terms, the Office of the Secretary of Defense exists to provide advice and assistance to the Secretary of Defense in the execution of the following management responsibilities:

The development of policies, plans, and programs which enhance the ability of the military services to function, in an integrated fashion, as an Armed Forces Team which is fully capable of achieving the nation's military strategy;

The allocation of resources among the Services and other DOD Components in a manner which maximizes the military capability received for each tax dollar inverted.

Monitoring and evaluating the execution of approved policies, plans, and programs to insure that they are being accomplished in a manner consistent with their purpose and intent.

Senator **Tower**. What are the major impediments, if any, of the effective execution of the management responsibilities of the Office of the Secretary of Defense?

Answer. Other than the complexity of the job itself and the inherent uncertainty of the international military situation, both of which are beyond the capability of this panel or myself to change, the major impediments to effective management are those outlined in my opening remarks; namely:

The uncertainty of the annual budget process which precludes continuity in Defense management and planning.

Legislative restrictions which inhibit managerial flexibility, such as prohibitions which preclude awarding contracts to the lowest bidder or otherwise have the effect of restricting competition, requirements that the Office of the Secretary of Defense or other portions of the Department be organized in a specific way, limiations on our ability to contract out for certain services, and restrictions which make it difficult to close outmoded or inefficient bases.

Insufficient multi-year procurement authority, lack of sufficient competition for defense contracts, and year-to-year fluctuation in Congressional support for DOD programs which precludes the maintenance of efficient production rates for military equipment.

Senator **Tower**. What organizational changes have been made or would you propose to enhance more effective execution of the management responsibilities of the Office of the Secretary of Defense?

Answer. Since coming to office, I have concentrated primarily on improving management systems rather than rearranging blocks on the organizational chart. In particular, I have taken measures to strengthen the strategy and policy formulation process and the planning, programming and budgeting system; I have instituted selected program performance reviews; and I have strengthened the Secretary's audit, inspection, and investigative capabilities in order to eliminate waste and to prevent and detect fraud and abuse. I do not believe that organizational changes in themselves are the key to better management. Accordingly, those changes which have been made, or are contemplated, are designed primarily to complement broader systems improvements.

In this vein, I established the Assistant to the Secretary of Defense for Review and Oversight in April 1981 to spearhead the Department's war on fraud, waste and inefficiency. This office has since been redesignated, by legislation, as the Inspector General of the Department of Defense.

There is one major organizational improvement which I would like to make, but cannot do so without Congressional assistance. I currently have pending a legislative request to restore the Assistant Secretary positions eliminated in 1977 by the previous administration. Experience has demonstrated that the elimination of these positions has substantially reduced the flexibility of the Department in adapting the Office of the Secretary of Defense to current Defense requirements and this Administration's defense policies, priorities, and program emphasis. If the proposed legislation is enacted by the Congress, it will facilitate an organizational improvement which I consider to be central to our effort to modernize the nation's military equipment, enhance its military capabilities, and improve its readiness to meet whatever military contingency the future may hold.

Senator **Tower**. Has the number of civilian and military personnel assigned to the Office of the Secretary of Defense, including all field activities such as the Washington Headquarters Services, changed since 1960?

Answer. On 30 June 1960 there were 1745 civilian and military personnel assigned to the Office of the Secretary of Defense and 131 others assigned to OSD Field Activities. On 30 June 1983 there were 1756 civilian and military personnel assigned to the Office of the Secretary of Defense and 1014 others assigned as follows:

OCHAMPUS which manages payments for medical care in nonmilitary facilities for retirees and dependents or survivors of active duty personnel, 245; the TRIMIS Program Office which manages the development and application of automated systems to improve health care in the military services, 58; the American Forces Information Service which manages the DOD Armed Forces Information Program and the Armed Forces Radio and Television Service, 191; the Office of Economic Adjustment which aids communities affected by base closures, contract cutbacks, and reductions-in-force, 31, and Washington Headquarters Services which provides administrative support to OSD as well as several other activities and which performs a variety of services for all DOD activities in the National Capitol Region, 489.

The increase in the number of field activities (reporting to OSD) has generally been in response to needs which have arisen since 1960 or the result of consolidations designed to provide service move efficiently and economically to DOD organizations. For the most part, spaces assigned to OSD Field Activities were not add-ons; they were transfers from other DOD components.

Senator **Tower**. Beyond the personnel assigned to the Office of the Secretary of Defense and its field activities, what other organizations, such as the Defense Science Board, are under the administrative control of the Office of the Secretary of Defense?

Answer. Apart from its field activities, there are two types of organizations which in some fashion fall under the administrative control of the Office of the Secretary of Defense. These are Defense Agencies and Advisory Committees.

Defense Agencies are organizations which provide a common service or perform a common support function on a Defense-wide basis. There are currently twelve Defense Agencies as follows:

Defense Advanced Research Projects Agency.
Defense Audiovisual Agency.
Defense Communications Agency.
Defense Contract Audit Agency.
Defense Intelligence Agency.
Defense Investigative Service.
Defense Legal Services Agency.
Defense Logistics Agency.
Defense Mapping Agency.
Defense Nuclear Agency.
Defense Security Assistance Agency.
National Security Agency.

Defense Advisory Committees are groups consisting of experts from the private sector and Government who meet periodically to advise officials in the Office of the Secretary of Defense regarding some specialized function within the scope of their responsibilities. There are nine such committees, as follows:

Advisory Group on Electron Devices.
Board of Visitors, Defense Systems Management College.
Board of Visitors, Equal Opportunity Management Institute.
Defense Advisory Committee on Military Personnel Testing.
Defense Advisory Committee on Women in the Services.
Defense Science Board.
Department of Defense Wage Committee.
Defense Policy Advisory Committee.
Overseas Dependents Schools National Advisory Panel on the Education of Handicapped Dependents.

Senator **Tower**. Within the existing organizational framework of the Office of the Secretary of Defense, what ad hoc bodies—such as the Defense Resources Board and the Defense System Acquisition Review council—have been established? What are the composition, procedures, and purposes of these ad hoc bodies?

Answer. We do not view the Defense Resources Board and the Defense Systems Acquisition Review Council as ad hoc bodies; both activities have permanent, continuing responsibilities for the management of defense resources and the acquisition process.

The Defense Resources Board (DRB) was established in April 1979 to help improve the efficiency of the PPBS, primarily by supervising the OSD review of Service Program Objectives Memoranda and budget submissions. Members of the DRB are:

Chairman: Deputy Secretary of Defense.
Secretary of the Army.
Secretary of the Navy.
Secretary of the Air Force.
Chairman, Joint Chiefs of Staff.
Under Secretary of Defense (Policy).
Under Secretary for Research and Engineering.
Assistant Secretary of Defense (Health Affairs).
Assistant Secretary of Defense (Comptroller).
Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics).
Assistant Secretary of Defense (International Security Affairs).
Assistant Secretary of Defense (International Security Policy).
Principal Deputy Under Secretary of Defense (Research and Engineering).
Director, Defense Advanced Research Projects Agency.
Director, Program Analysis and Evaluation.
General Counsel.
Associate Director for National Security and International Affairs (OMB).

The Defense Systems Acquisition Review Council (DSARC) is the top-level DOD corporate body for systems acquisition. Membership includes:

Under Secretary for Research and Engineering.
Under Secretary of Defense (Policy).
Chairman, Joint Chiefs of Staff.
Assistant Secretary of Defense (Comptroller).
Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics).
Director, Program Analysis and Evaluation.

In 1981, we established the Defense Council on Integrity and Management Improvement (DCIMI). The Council has the following primary missions: to identify and pursue management improvements in DOD; to stimulate and act as a forum for innovative ideas; and, to ensure follow-up of the results of audit, inspection, and investigative activities. Council membership includes:

The Under Secretary of the Army.
The Under Secretary of the Navy.
The Under Secretary of the Air Force.
Under Secretary of Defense (Policy).
Under Secretary for Research and Engineering.
Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics).
DOD Inspector General.

The Department's General Counsel and the Assistant Secretaries of Defense (Comptroller, Legislative Affairs, and Public Affairs) serve as advisors to the Council.

The Defense Science Board (DSB) serves as an advisory committee to the Secretary of Defense, reporting through the Under Secretary of Defense for Research and Engineering, on scientific, technical and related management matters of particular interest to the DOD. The Board and its Associate Members comprise a balanced group of senior appointees representing the industrial, academic and scientific communities. The Board and its Task Forces undertake analyses and make recommendations concerning specific issues and problems tasked by the Secretary, the USDRE, the Chairman, JCS, or other senior officials of the DOD. DSB membership, at any given time, depends upon the needs of the Department and the number and character of the issues to be addressed.

Senator **Tower.** Immediately under the Secretary of Defense in the hierarchy of the Office of the Secretary of Defense are a Deputy Secretary and two Undersecretaries, one for Defense Research and Engineering and one for Policy. Beyond these officials are the Assistant Secretaries and Assistants to the Secretary. How many Assistant Secretaries and Assistants to the Secretary are there?

Answer. Within the Office of the Secretary of Defense there are seven Assistant Secretaries of Defense and two Assistants to the Secretary of Defense. The Assistant Secretary of Defense positions include: Health Affairs; Comptroller; Manpower, Reserve Affairs, and Logistics; Public Affairs; International Security Affairs; International Security Policy; and Legislative Affairs. Assistant to the Secretary of Defense positions include Intelligence Oversight and Atomic Energy.

Senator **Tower**. How many defense agencies are there? To whom do the directors of these various agencies report?

Answer. There are twelve Defense Agencies. Their identification and reporting responsibilities are as follows:

Agency	*Reporting to*
Defense Security Assistant Agency	USD(P).
Defense Audiovisual Agency	ASD(PA).
Defense Contract Audit Agency	ASD(C).
Defense Logistics Agency	ASD(MRA&L).
National Security Agency	SecDef.
Defense Legal Services Agency	OGC.
Defense Communications Agency	USD(R&E).
Defense Mapping Agency	USD(R&E).
Defense Nuclear Agency	USD(R&E).
Defense Advanced Research Projects Agency	USD(R&E).
Defense Investigative Service	USD(P).
Defense Intelligence Agency	SecDef/JCS.

Senator **Tower**. How many and which officials within the Department of Defense report directly to the Secretary of Defense? How many and which officials within the Department of Defense report directly to the Deputy Secretary of Defense?

Answer. Twenty-four officials report directly to the Secretary and Deputy Secretary of Defense. They are:

Secretary of the Army.
Secretary of the Navy.
Secretary of the Air Force.
Chairman, JCS and the Joint Chiefs of Staff.
Under Secretary of Defense (Policy).
Under Secretary of Defense (Research & Engineering).
Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics).
Assistant Secretary of Defense (Health Affairs).
Assistant Secretary of Defense (Comptroller).
*Assistant Secretary of Defense (International Security Affairs).
*Assistant Secretary of Defense (International Security Policy).
Assistant Secretary of Defense (Legislative Affairs).
Assistant Secretary of Defense (Public Affairs).
General Counsel.
Director, Program Analysis and Evaluation.
*Director Net Assessment.
DOD Inspector General.
Assistant to the Secretary (Intelligence Oversight).
Director National Security Agency.
Director Defense Intelligence Agency.

*Report to the Secretary and Deputy Secretary through the USD(Policy).

Senator **Tower**. Are these reporting responsibilities consistent with accepted management principles of effective span of control of a single senior manager?

Answer. In my view, span of control is a function of several management variables, not the least of which are the management philosophy and the willingness of the manager to delegate authority and responsibility.

During my tenure as Secretary of Defense, I have emphasized centralized control of executive policy development and decentralized policy execution. The Secretary, the Chairman of the Joint Chiefs of Staff, and the Service Secretaries now concentrate on major policy decisions. The Services have been made responsible for the development and execution of the day-to-day management of the resources under their control. The OSD staff provides the technical cross-Service and major mission analyses necessary to integrate the capabilities of the Services and to meet the objectives identified by the President and Congress.

We draw upon the complete resources of the Department to encourage the full exchange of ideas as we formulate policy and design programs. To this end, we have enlarged the Defense Resources Board (DRB), the principal governing body of the Department's program review process, to include the Service Secretaries, and when appropriate, the CINCs. At the same time, we have directed that only major issues be raised before the DRB. Lesser issues are decided outside the DRB forum by the Services and the Office of the Secretary of Defense.

Taken together these modifications have substantially reduced span of control problems within my immediate office.

PLANNING, PROGRAMING, AND BUDGETING SYSTEM (PPBS)

Senator TOWER. A major management tool of the Secretary of Defense is the Planning, Programing, and Budgeting System (PPBS). Would you please describe the current elements and procedures of this system?

ANSWER. The PPBS is a cyclic process containing three distinct but interrelated phases: Planning, Programing, and Budgeting. The process permits prior decisions to be examined and analyzed, if necessary, from the viewpoint of probable changes in the environment (threat, political, economic, technological, and resources).

The planning period encompasses the upcoming Five Year Defense Program (FYDP) period (mid-term) plus a ten year extended planning period (long-term). In the planning phase of the PPBS, the military role and posture of the United States and the Department of Defense in the world environment are examined, considering enduring military security objectives and the need for efficient management of resources. The focus is on the following major missions: defining the national military strategy necessary to help maintain U.S. national security and support U.S. foreign policy two to seven years in the future; planning the integrated and balanced military forces necessary to accomplish that strategy; assuring the necessary framework (including priorities) to manage DOD resources effectively for successful mission accomplishment consistent with national resource limitations; and providing options to the Secretary to help him assess the role of national defense in the formulation of national security policy, and related decisions. Planning goals and programing objectives, milestones, progress, issues, and problems are discussed with the Secretary and remedial plans and actions initiated, as appropriate.

The first fundamental documents in the PPBS cycle are the Joint Long Range Strategic Appraisal (JLRSA), the Joint Strategic Planning Documents (JSPD), complete with annexes, and Long Range Plans prepared by the Military Departments. They contain the independent Joint Chiefs of Staff (JCS) and Military Departments strategy, advice and recommendations to be considered when developing the Defense Guidance (DG) for the mid- and long-term. In addition, commanders of unified and specified commands also provide the Secretary of Defense and the Defense Resources Board (DRB), their personal appraisals of major issues and problems of their commands that should be addressed in the DG, including principal concerns and trends in both the threat and the evolving U.S. response.

The final document of the planning phase is the DG which promulgates defense policy, strategy, force planning, resource planning and fiscal guidance, in relation to the authoritative JCS risk assessment. The fiscal and resources planning guidance reflect economic constraints and the Secretary of Defense's management priorities.

In the programing phase, the DOD Components develop proposed programs consistent with the policy, strategy, force, resource, and fiscal guidance provided in the DG. These programs, expressed in the Program Objective Memoranda (POMs), reflect systematic analysis of missions and objectives to be achieved, alternative methods of accomplishing them, and the allocation of resources. The program period is the four years beyond the budget year for cost and manpower, and for forces, seven years beyond the budget year.

After the POMs are submitted to the Secretary, the JCS provides, in the Joint Program Assessment Memorandum (JPAM), a risk assessment based on the capability of the composite force level and support program for the U.S. Armed Forces to execute the strategy outlined in the DG.

The POMs are analyzed, in the light of the JCS risk assessment, for compliance with previous guidance documents. Issues are developed, staffed, and compiled in Issue Books. The DRB then meets to discuss the issues. Decisions made on the issues by the Secretary and Deputy Secretary are then formally announced in the Program Decision Memorandum (PDMs).

With the establishment of program levels in the POMs as modified by PDMs, the budgeting phase begins with the DOD Components developing detailed budget estimates for the budget years of the approved program. These estimates are reviewed and analyzed during the Joint OMB/DOD Budget Review and are approved or revised in budget decision documents. These decisions address all of the resources in the budget request and are related to the appropriations and budget activity structure of the Department of Defense. The decisions include the current year, the budget year, the authorization year, and an estimate of resource impact on the three succeeding program years. Priority is placed on ensuring that budgets are prepared to true program cost for all five program years and that affordability in the outyears is explicitly reviewed and examined. The DOD section of the President's budget as finalized and sent to Congress is the major output of the PPBS.

Following the enactment of the budget into authorization and appropriation acts by the Congress, several actions are taken to monitor accountability and execution. The monitorship involves administrative control of funds; reporting of actual results; assessment of applicability to the preparation of future plans, programs, and budgets; and supplying financial information to DOD managers. A major step in the execution process is the annual apportionment of budget funds to the Military Departments and Defense Agencies. Resource requirements are reconsidered, revised allocations made and funds released or withheld for administrative and/or technical considerations. Funds are subsequently obligated and expended in accordance with apportionment guidelines. The Secretary of Defense's Performance Review is an integral element of the execution process. This recurring review of selected ongoing programs of high priority and top level policy interest is a vehicle for Secretarial decisions and the initiation of further review or action. Goals and objectives, milestones, progress, issues, and problems are discussed with the Secretary during these reviews.

PLANNING, PROGRAMING, AND BUDGETING SYSTEM (PPBS)

Senator TOWER. Historically, the planning portion of the PPBS has been criticized as being weak and inadequate. What actions have been taken to strengthen the planning element which creates the critical framework on which the subsequent programing and budgeting elements are based?

ANSWER. A major step in strengthening the planning element was to reconstitute the Defense Resources Board (DRB) and to task it with increased responsibility. The Deputy Secretary of Defense is the Chairman of the DRB and the membership has been expanded and now includes the JCS Chairman, the Secretaries of the Military Departments, the Under Secretaries of Defense, all of the Assistant Secretaries concerned with the management of resources, the General Counsel, and the Associate Director of OMB. The primary role of the DRB is to help the Secretary of Defense manage the entire PPBS process. In the planning phase, the Under Secretary for Policy has the lead role and is concerned specifically with the development of policy, strategy, and force planning guidance.

The revitalized planning process is a central feature of the improved PPB system. The most distinctive aspect of this system is an emphasis on front-end planning through which ensuing programs and budgets are guided toward the goals and objectives of our strategic plans. It stresses wide-vision, forward-looking planning for the future, rather than being status quo oriented, relying on incremental changes to existing programs. Major shifts in defense budget priorities are considered in the context of intermediate strategic objectives to respond to changing threats and opportunities as we move toward our long-range objectives. The process emphasizes the principles of participative management and accountability.

To these ends the new planning process assures us that:

The Department's programs and budgets are responsive to the National objectives, policy, and strategy;

The Secretary of Defense is provided the best possible advice of both the military and civilian professionals in the Department throughout the process;

We have a disciplined planning process and consistent framework to guide management actions to fulfill military requirements needed to meet potential threats and opportunities.

The objectives of the DoD planning process are to:

Provide a central strategic planning framework which ensures that all Department of Defense programs are based on, and consistent with, a set of clearly identified objectives, policies, and strategies;

Identify major issues, problems, and resource constraints in developing forces to execute the strategy;

Identify significant mid- and long-range threats, vulnerabilities, and opportunities;

Ensure that DOD components' plans and programs are closely integrated;

Provide guidance to the Military Departments and Defense Agencies for POM preparation;

Focus attention on the risks associated with the strategy-capabilities mismatch, and consider intermediate objectives in force planning on the one hand and modifications in resources and fiscal guidance on the other, to minimize those risks;

Ensure participation of top OSD staff managers and Service line managers;

Ensure that the military advice of the JCS and the CINCs is brought to bear throughout the planning process;

Identify and assign major unresolved issues, problems, and areas of uncertainty for intensive study prior to the next planning phase.

OFFICES OF THE SERVICE SECRETARIES

Senator TOWER. How many civilian and military personnel are assigned to each of the offices of the three Service Secretaries? How has the number of such personnel changed since 1960?

ANSWER. The number of military and civilian personnel assigned to the three Service Secretaries as of June 30, 1960 and June 30, 1983 were as follows:

As you can see there has been a substantial reduction in the number of personnel assigned to these offices over the years.

	Military	Civilian	Total
Army:			
1960	138	253	391
1983	113	249	362
Difference	−25	−4	−29
Navy:			
1960	428	1836	2264
1983	276	560	836
Difference	−152	−1276	−1428
Air Force:			
1960	190	323	513
1983	142	178	320
Difference	−48	−145	−193

Senator TOWER. How do the responsibilities of the offices of the Service Secretaries differ from the responsibilities of counterpart offices within the Office of the Secretary of Defense?

ANSWER. The offices within the Office of the Secretary of Defense are concerned with developing Defense-wide policies, plans, and programs; allocating resources among the Services; and evaluating program execution by the Services to ensure appropriate Defense-wide integration and compatibility with overall Defense plans and objectives. In contrast, the offices of the Service Secretaries are concerned with providing Service-unique perspectives to the development of DOD-wide policies, plans, and programs; overseeing implementation of the resulting decisions within their service, allocating the Service share of DOD resources among their various components, and overseeing the implementation of policies, plans, and programs to ensure that they accomplish their Service's portion of the DOD mission in an effective and efficient manner.

Thus, there is a planned distribution of responsibility from the development of general defense-wide guidance to its refinement into specific implementation activities as it flows down from the Office of the Secretary of Defense through the Service Secretariats. Although offices at both levels (in the Office of the Secretary of Defense and in the Service Secretariats) may have similar names and work in similar functional areas, they are not duplicative; rather, they are working on different aspects of the same function.

Senator Tower. How do the responsibilities of the offices of the Service Secretaries differ from the responsibilities of the staffs that report to the four Service Chiefs of Staff? To what extent is there necessary and unnecessary duplication between the offices of the Service Secretaries and the staffs of the Service Chiefs of Staff?

Answer. The Service Secretaries exist primarily for the purpose of ensuring civilian control of the military by establishing an authoritative civilian executive presence within each of the military departments. In order to perform this function they require a small staff to advise and assist them in evaluating Service programs and providing broad oversight and policy guidance.

The Chiefs of Staff, on the other hand, are the resource managers of the Services. They are concerned with the direction of day-to-day operations and with the associated details of program planning and execution. They too, require staffs to help them carry out their responsibilities. Because of the more detailed and specialized nature of the functions performed by the Service Chiefs, their staffs tend to be larger in size than the staffs of the Service Secretaries.

On a day-to-day basis, there is very little overlap or duplication between the Secretaries and the staffs of the Service Chiefs, since they are operating at different management levels and for different purposes. There are occasions where both staffs may be working the same issue; however, even on these occasions they do not duplicate or overlap one another. The Service staffs provide the military expertise and experience necessary to run the Services on a day-to-day basis. The Secretariats on the other hand, provide a broader perspective ensuring that civilian societal values and priorities are factored into the decisionmaking process.

If we are going to have Service Secretaries and expect them to remain effective in exerting civilian control, they must have separate staffs, dedicated to providing them with personal and analytic support and executive assistance. Otherwise, the Service Secretaries would be reduced to mere figureheads, with no independent capability for arriving at individual informed opinions on Service issues.

Senator Tower. How many civilian and military personnel are assigned to each of the four Service Chiefs of Staff?

How has the number of such personnel changed since 1960?

Answer. The numbers of military personnel assigned to the Service Chiefs of Staff in 1960 as compared to the most current figures for fiscal year 1983 (30 June 1983) are as follows:

As you can see, there has been a substantial reduction in the numbers of military personnel assigned to the Service Staffs in the last twenty-three years. This has been the result of a conscious attempt on the part of the Department to reduce the size of its headquarters organizations.

	1960	1983	Difference
Chief of Staff, Army	3,252	1,462	−1,790
Chief of Naval Operations	1,750	1,275	−475
Chief of Staff, Air Force	2,855	1,685	−1,170
Commandant of the Marine Corps	983	424	−559

Senator Tower. The Report of the Blue Ribbon Defense Panel contained the following recommendation:

"The Secretariats and Service Military Staffs should be integrated to the extent necessary to eliminate duplication . . ."

Do you believe that this recommendation should now be implemented?

Answer. I believe we should eliminate all unnecessary duplication between the Service Secretariats and the Service Staffs, but I do not believe that substantial duplication currently exists. The organizations fulfill fundamentally different purposes.

The Service Secretaries exists primarily for the purpose of ensuring civilian control of the military by establishing an authoritative civilian executive presence within each of the military departments. In order to perform this function they require a small staff to advise and assist them in evaluating Service programs and providing broad oversight and policy guidance.

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If we are going to have Service Secretaries and expect them to remain effective in exerting civilian control, they must have separate staffs, dedicated to providing them with personal analytic support and executive assistance. Otherwise, the Service Secretaries would be reduced to mere figureheads, with no independent capability for arriving at individual informed opinions on Service issues.

QUESTIONS SUBMITTED BY SENATOR STROM THURMOND, TO SECRETARY OF DEFENSE CASPAR WEINBERGER, WITH OFFICIAL REPLY BY THE DEPARTMENT OF DEFENSE

MILITARY RETIRED PAY

Senator **THURMOND**. Mr. Secretary, another issue of concern is military retirement pay. There is a great deal of sentiment in Congress concerning restructuring military retirement benefits. What are your feelings about this, Mr. Secretary?

ANSWER. We understand the concern over the cost of the military retirement system and recognize the need to scrutinize such a program for cost efficiencies. Any changes to the military retirement structure, however, need to be comprehensively evaluated in terms of the potential impact on our ability to attract and retain adequately the needed quantity and quality of skilled people to man the armed forces. This is part of what the 5th QRMC—the Quadrennial Review of Military Compensation—is all about. The President directed the QRMC to review the military retirement system in relation to its contribution to our national defense. This review has been underway for nearly a year now, and we anticipate that their findings will become available in October 1983. We believe this overall review is the most appropriate forum for revisions to the military retirement structure, and we are therefore deferring any proposed revisions until the QRMC findings and recommendations are made.

BASE CLOSURES

Senator **THURMOND**. The subject of base closures is a very controversial issue, but it is possibly the source of considerable savings. How many separate installations are maintained in the Department of Defense?

ANSWER. The Department of Defense maintains 5,547 separate installations and properties worldwide.

Senator **THURMOND**. What are the operating costs associated with these installations?

ANSWER. The estimated base operations cost for Fiscal Year 1984 is $21.3 billion.

Senator **THURMOND**. What number of these installations are inefficient to maintain?

ANSWER. The Department continually reviews its base structure to determine which installations are no longer required for mission purposes and which are not cost effective to maintain. In the past ten years 937 installations and properties were removed from the real property inventory for these reasons.

MILITARY RETIRED PAY

Senator **Thurmond**. Would you support "grandfathering" all personnel on active duty at the time of any possible future changes in the retirement structure?

Answer. We definitely support the concept of "grandfathering" and believe that we must meet the nation's commitments to the men and women who serve in our defense. There is some degree of commitment that should be met for almost all, if not entirely all, those presently serving. This does not mean, however, that each of these persons must be allowed to continue on and retire under the protection of every provision that constitutes our present retirement system. This is one of the most delicate issues of any recommended change, and its answer will depend in part on what specific proposals are made.

QUESTIONS SUBMITTED BY SENATOR WILLIAM S. COHEN, TO SECRETARY OF DEFENSE CASPAR WEINBERGER, WITH OFFICAL REPLY BY THE DEPARTMENT OF DEFENSE

Senator **Cohen**. In the Key West Agreement of 1948, the Service Chiefs and Secretary of Defense Forrestal agreed to allocate missions to the individual armed services based on traditional distinctions between land, sea, and air warfare. It is my understanding that there has been no significant change in this basic concept since that time.

It would appear that the march of technology and the accompanying need for adjusting military tactics would require a greater degree of integrated operations than in the post-World War II period. Do you believe the present level of coordination and integration is satisfactory?

Answer. It is true the Key West Agreement did not change missions of the Services. But it is also true that the Key West Agreement recognized that no single Service would ever again fight alone. World War II provided a strong lesson that we learned well. From that war on, we recognized that Service integration, a joint concept, was essential. Our system of Unified and Specified Commands assures that we achieve Service integration.

Our Unified Command Plan calls for a single commander, the CINC, responsible to the President and exercising command over all units assigned, regardless of Service. We have made numerous refinements to the basic concept over the years, as the threat changed and as our requirements evolved. However, there have been no significant changes in the basic concept of allocating missions to the armed services since the Key West Agreement of 1948. Those missions are organizing, equipping, manning, training and supporting the forces. The Services then provide these forces to the joint commanders in the field, the CINCs. The present way of doing joint business bears some improvement, especially in cross-Service and collateral missions. And we're working to improve those now. Or special note are the efforts of General Vessey to address the CINCs' responsibilities at the "seams" and the JCS-led review of joint doctrine and requirements. Nevertheless, the degree of coordination and integration among the Services is satisfactory, and it is getting better.

CROSS-SERVICE COORDINATION

Senator **Cohen**. In the debate over our strategic force modernization, it has been suggested that the autonomy and self-sufficiency of the individual Services has limited weapons options. For example, both the Air Force and Navy reportedly have resisted the development of common weapons such as a derivation of the Trident missile in place of the MX. Similarly, it has been said that a dispute between the Marine Corps and the Army over composition and command of the Rapid Deployment force has slowed the development of that force. What measures could be (are being) taken to improve this situation?

Secretary **Weinberger**. The problem you have mentioned is a serious concern to us. We believe that cross-Service coordination in the development of systems that must work together and cooperation in the development of technologies and systems with similar purposes is essential both for maximum performance and for efficient use of funds. We have taken a number of steps to increase cooperative efforts and have had some successes but sustained attention will be necessary to make fundamental changes in DOD's development practices.

In evaluating each mission area we are looking across Service lines to determine ways in which the Services can work jointly to more efficiently meet mission area requirements. We have already made progress in Air Force contributions to fleet air defense and the use of land-based B–52s in sea control.

In the tactical warfare mission areas we focused initially on achieving improved coordination and integration of counter-air and air defense capabilities, including the integration of C^3I capabilities into an overall concept.

Another area where unification is being sought is in deep interdiction. This involves integration of surveillance and target attack radars, joint tactical fusion, and the consolidation of Air Force and Army smart weapons systems (namely, the Conventional Standoff Weapon and the Joint Tactical Missile System). Since all three of these joint programs involve the development and deployment of new capabilities, we are also working on the integration of these systems with the doctrine and concepts for the Air/Land Battle. This integration effort is a pilot for insuring the definition of joint tactics, techniques, and procedures applicable in major operational theaters, and to insure that effective training is available when the systems are operationally deployed. To achieve these ends the Joint Chiefs of Staff and the Commanders-in-Chief in the field are working to establish an improved interface with the systems development organizations.

DUAL-HATTING

Senator COHEN. There appears to be an inherent tension between the responsibility of the Service Chiefs to represent the interests of their individual Services and their broader roles as members of the Joint Chiefs of Staff. The National Security Act calls for the latter role to take precedence. Do you find this to be the case in practice? If not, what could be (is being) done to rectify this situation?

ANSWER. To expand on my response to a similar question of Senator Tower, I would like to add the JCS views on this subject. The Secretary of Defense and the President must have advice in every instance from the officer most capable of giving advice based upon his knowledge of the capabilities of his Service. That can be no other person than the Chief of that Service. And for that reason it is necessary that Chiefs of the Services remain members of the Joint Chiefs of Staff advisory body.

With respect to the time problem, the Chiefs referred back to the Eisenhower solution—the provision of Vice Chiefs to focus on the day-to-day operation of the Services. They concluded that in wartime a Chief might have to spend most of his time as a member of the Joint Chiefs of Staff and leave Service direction to the Vice Chief. In peacetime, however, there is time for a Chief to perform both jobs—to advise the President and Secretary of Defense while devoting a great deal of attention to his own Service.

SPARE PARTS PROCUREMENT PROCESS

Senator COHEN. I know you are concerned over the Inspector General's report on abuses in the spare parts procurement process. You are to be commended for your early, forceful response to the IG report. The statements of you and your top Deputies that military and civilian contractors will be fired and major defense contractors will be cut off from Pentagon contracts if that is what it takes to clean up waste and mismanagement are exactly what is needed. Even more important will be the follow-up. Have any contractors specifically been put on notice that these kinds of actions may be taken?

ANSWER. Where investigations show fraud on the part of contractors we will seek redress and prosecution where that is appropriate. Future contracts will be jeopardized by such action. Where investigations show errors in management, we will seek corrective action and price adjustments where that is appropriate. The media publicity attendant to the excessive prices for spare parts and the 10-point program have been most effective communication to the 350,000 DOD prime contractors and the million or more subcontractors to those primes. Secretary of the Navy recently requested a refund from Sperry. An event that has received significant publicity. Communication of our intentions could not have received more notice than has occurred.

Senator COHEN. A recent Congressional Research Service study, prepared by senior analyst John Collins, described "divided loyalties and jurisdictional disputes . . . disagreement on fundamental goals . . . absence of basic research . . . ponderous procedures . . . prejudiced opinions . . . and participants with vested interests and de facto veto powers" which he said have marked U.S. defense planning since the end of World War II. Have you reviewed his study, and do you agree with his conclusions about the Pentagon and its decision-making process?

Answer. While we have not conducted an in-depth review of John Collins' study, it has been read with interest. Some of his observations and judgments may merit further consideration. The defense planning related questions that he raised regarding higher military education, legal limitations on tenure and high turnover rates in OSD and in the Organization of Joint Chiefs of Staff (OJCS), selection and retention of the best military and civilian personnel for OSD and OJCS, and budgeting shortfalls which degrade the implementation of plans are incisive and thought provoking queries.

Senator **Cohen.** The Office of the Secretary of Defense has been the subject of criticism, particularly over its size. As I understand it, nearly 2,000 people are employed in your office. The suggestion has been made that they duplicate the work of the military services and that the department's decision-making process is being hamstrung by the growing power of inexperienced civilians and their overattention to detail. How do you respond to this criticism?

Answer. There are currently 1756 civilian and military personnel assigned to the Office of the Secretary of Defense. As I have indicated in my response to earlier questions, I do not believe that these personnel duplicate the work of the military services or that their advice overshadows the advice provided by the Department's senior military officers. On the contrary, I believe that my administration has taken positive steps to increase the participation of the Chairman of the Joint Chiefs of Staff, the Service Chiefs, and the Commanders of the Unified and Specified Commands in the DoD decision-making process. At the same time, I have instituted a system of controlled decentralization which is designed to get the Office of the Secretary of Defense out of the details of program implementation and leave them to the military services.

In short, I believe the criticisms you have cited do not take into account the various initiatives this administration has undertaken to improve management and decision-making in the Department of Defense.

SIX STEPS TO IMPROVE DEFENSE AND SAVE MONEY

Senator **Cohen.** In a January 1983 Washingtonian article, former Pentagon Official John Kester said the following: "It really is possible to save money in defense, and to make the system work better. But the big savings lie in institutional changes that take time, persistence, congressional support, and managers who know how to handle bureaucratic resistance. The Reagan Administration has shown no interest at all in such problems—but the record of its predecessors isn't brilliant either. To improve our defense and also save money, here are six steps: (1) Replace the Joint Chiefs of Staff with a unified general staff whose officers would not be answerable to the Army, Navy, and Air Force. (2) Cut drastically the civilian and military staffs of the Army, Navy, and Air Force. (3) Free the Defense Department from exorbitant blue-collar civilian wage rates now imposed on it by Congress. (4) Strip away most of the detailed regulations that tie up the weapons contracting process. (5) Do away with costly 20-year retirements at half pay and automatic increases in military retired pay; put military retirements prospectively on a contributory basis. (6) Good management saves money. Start paying a living wage to senior defense executives, both military and civilian. . . ." What is your reaction to Mr. Kester's suggestions?

Answer. The Reagan Administration is interested in saving money and making the system work better and is looking at the kinds of suggestions you cited and many others such as those in the reports of the President's Private Sector Survey on Cost Control, also known as the Grace Commission. The commission looked at many aspects of government including the Office of the Secretary of Defense and the Departments of the Army, Navy, and Air Force. Its recommendations cover areas such as the interaction of the Office of the Secretary of Defense with the Service Departments, civilian pay, and military retirement.

The Department of Defense is currently evaluating the broad range of recommendations in the Commission's reports. Many of the recommendations require action by Congress and some savings may not be in the long-term interests of

DoD. However, there are a number of recommendations that have particular merit. Some support initiatives already underway in DoD. We plan to implement as many of these suggestions as possible, so long as we verify that they are in the best interests of this country's defense.

QUESTIONS SUBMITTED BY SENATOR HENRY M. JACKSON, TO SECRETARY OF DEFENSE CASPAR WEINBERGER, WITH OFFICIAL REPLY BY THE DEPARTMENT OF DEFENSE

CHANGES SINCE 1958

Senator JACKSON. Mr. Secretary, the last major legislative adjustments in our national security apparatus were made some 25 years ago in the Department of Defense Reorganization Act of 1958. What, if any changes and developments in the geopolitical situation since that time should have an impact on the way the Department is organized and structured today?

Have those changes, in your view, been accommodated in the organization and structure of DoD? How?

ANSWER. Over the past 25 years, the organizational makeup of DoD has been flexible in response to a changing world. In OSD, for example, I established the position of Assistant Secretary of Defense for International Security Policy in order to better integrate defense policy and plans with national security objectives. Some further changes in OSD are required. In 1981, I requested legislation to restore the five Assistant Secretary positions eliminated by the previous Administration. Experience has demonstrated that the elimination of those positions substantially reduced the flexibility of the Department in adapting the Office of the Secretary of Defense to this Administration's defense priorities, policies, and program emphasis. If the proposed legislation is enacted by Congress, three of the new Assistant Secretary positions will be used to strengthen the Office of the Under Secretary of Defense for Research and Engineering, and the remaining two positions will be used to strengthen the Army and Navy Secretariats.

JCS REFORM

Senator JACKSON. Mr. Secretary, over the last year there have been a series of proposals to reform the organization of the Joint Chiefs of Staff. What is your position on the need for reform of the JCS?

Do you favor the bill passed by the House last December which was introduced by former Congressman White of Texas?

ANSWER. I believe that the JCS can be made more effective in performing their duties under Title 10, and we are working to do that now. But I also believe that the current organization, with the modifications we are enacting within DOD and those which we have recommended to Congress, will give us what we need to achieve the necessary reform. We have set in motion a number of changes to improve the efficiency and effectiveness of the JCS, both those changes that can be effected within my authority as Secretary of Defense and those requiring statutory changes through legislation. With respect to legislation, we submitted proposed changes to Title 10 on April 18, 1983. Those changes are designed to place the Chairman in the chain of command and to give the JCS more flexibility in assigning personnel to the Joint Staff. I am confident that these changes and others we have under consideration will provide the opportunity for us to improve the effectiveness of the JCS.

We considered the provisions of Congressman White's bill while developing the Administration's proposed changes to Title 10, but felt some features of his bill were unnecessary (such as legislating that the Chairman manage the Joint Staff) and others undesirable. The JCS do not believe the Chairman requires a full time, four-star deputy. The system of quarterly rotation of an Acting Chairman is working well. Similarly, the JCS gave careful consideration to the concept of a national council of senior military advisors apart from the chiefs of the Services, but they believe it would be counterproductive.

REPORT OF PRESIDENT'S PRIVATE SECTOR SURVEY ON COST CONTROL

Senator JACKSON. Mr. Secretary, the President's Private Sector Survey on Cost Control recently issued a lengthy report on Defense Department operations suggesting that the Defense Department could save $28 billion each year through better management.

Have you personally reviewed the suggestions made in this report?

Answer. Yes. I've already looked at material drawn from all four of the Commission reports covering the DOD and, in the near future, I will look in detail at all of the DOD issues raised by the Commission.

Senator **Jackson.** What actions are you planning to direct in response to the suggestions made in this report?

Answer. As I indicated in my statement, we have an intensive review underway of all the Grace Commission recommendations affecting the DOD. The Deputy Secretary and I will make the final decisions on the DOD position on each recommendation, and we will move ahead on those recommendations we feel we can support and which can be implemented within my authority. But as I said also, more than 80 percent of the DOD savings projected by the Commission could be realized only with Congressional support. I gave several examples where Congress could help now in its review of our fiscal year 1984 budget request.

Senator **Jackson.** Mr. Secretary, many of the suggestions of the President's Private Sector Survey on cost control aim at centralization and consolidation of functions or activities currently spread across all of the Services. For example the report recommends that the Defense Department:

Consolidate depot-level maintenance facilities;

Mandate the use, where possible, by all Services of common hardware components, subsystems, equipment and other parts;

Consolidate military health care under a Defense Health Agency.

Mr. Secretary, as you well know, consolidation and centralization of functions like those recommended by the President's Private Sector Survey are almost always strongly resisted by the military services. Often this resistance is based on little more than parochialism.

(a) What efforts are you making to strike a better balance between proposals to centralize or consolidate functions across all of the Services that would save money and the military services' desire to retain these functions under their direct control?

Answer. We have carried out a number of consolidations of functions and activities over the past several years. Other proposals were set aside by the Congress. For example, the Private Sector Survey recommends consolidating transportation commands in DOD. Last year, we proposed consolidating the Military Traffic Management Command and the Military Sealift Command, which not only would have produced savings but would also have enhanced wartime readiness. The Congress, however, specifically prohibited this action.

I plan to continue the approach we have used in the past with some success. When we have a likely candidate for consolidation we will give the proposal careful study and make our best judgment as to whether or not we should go ahead. In those cases where we want to move ahead, I trust we will have congressional support.

Senator **Jackson.** Mr. Secretary, are there areas like a Defense Health Agency, where, in your opinion, consolidation or centralization will produce real savings?

Answer. We have an ongoing study in the health area. I don't want to prejudge it, or other studies we may have underway which address potential consolidations.

LIMITATIONS ON AUTHORITY OF SECRETARY OF DEFENSE

Senator **Jackson.** Mr. Secretary, are there any current limitations on the authority of the Secretary of Defense which, in your judgment, hinder your ability to carry out effectively the missions of the Department? If so, what are those limitations?

Answer. As I pointed out in my statement, there are a number of restrictions which constrain our ability to carry out effectively the missions of the Department. First, I believe the time has come for us to consider what has been recommended by a number of members of Congress and the Grace Commission: that is, that Congress act to provide the Department with a two-year authorization and a two-year appropriation. A two-year cycle would not only strengthen Congress' role, it would also allow the Department to achieve significant savings and management improvements. Secondly, over the years a number of restrictions have been placed on the Department's ability to manage its resources effectively and efficiently, including:

Various legislative restrictions that may prohibit us from awarding a contract to the lowest bidder or otherwise restrict our ability to encourage competition.

Legislation that specifies in detail how the Office of the Secretary of Defense should be organized. The recent Senate votes to create an independent testing and evaluation unit and other detailed specifications on the management and organization of the Department can force us to spend more for overhead than we need to.

Legislation that forbids or limits our ability to contract out for certain services, even when contracting out is cost effective and poses no impairment to the military mission.

Restrictions that impose time-consuming reviews or prevent the closing of those bases that are no longer necessary to us.

Insufficient multi-year procurement authority, lack of sufficient competition for defense contracts, and year-to-year fluctuation in Congressional support for DOD programs which precludes the maintenance of efficient production rates for military equipment.

We need to reconsider whether some of these restrictions impose more costs than they produce benefits. Changes will no doubt pose painful political dilemmas; but I believe that we must face these if we are to deliver the defense we require within budget limits.

ONGOING THINKING ABOUT STRUCTURE AND ORGANIZATION OF DOD

Senator JACKSON. Mr. Secretary, is there any ongoing group or office within the Department of Defense charged with continuously, or periodically, considering and recommending organizational changes in DOD? What is that group or office? How frequently does it report to you?

ANSWER. Organizational analysis and management planning functions are assigned to the Deputy Assistant Secretary of Defense (Administration) under the Assistant Secretary of Defense (Comptroller). The latter official reports to me on a regular basis. He is responsible for reviewing the organization and management needs of the Department and making recommendations to me. Similar organizations have been established within the Military Services and the Defense Agencies to review their respective activities. In addition, each of the program managers are responsible for reviewing organizational and management arrangements under their cognizance and making recommendations for change, as appropriate.

BLUE RIBBON DEFENSE PANEL OF 1969 AND 1970

Senator JACKSON. Mr. Secretary, in his June 21, 1983 statement on these hearings, Chairman Tower mentioned the findings of the Blue Ribbon Defense Panel which studied the Department of Defense's organization in 1969 and 1970. He noted that "the report of that panel identified as structural problems many of the same issues that we are considering today."

Please provide me with a copy of the Blue Ribbon Defense Panel report which is referred to in Senator Tower's statement.

Do you agree with that assessment of the report and the issues facing us today?

If so, to what extent were the 1969–1970 recommendations implemented? Can you tell the Committee why the other recommendations were not implemented?

Do you believe another outside, bipartisan commission to study DOD organization would be appropriate and useful at this time? If not, why not?

ANSWER. A copy of the Blue Ribbon Defense Report is attached as you requested.

I believe that organization is important and that the wrong organizational structure can be counterproductive by focusing attention on the wrong issues. objectives, and strategy. At the same time, I have consciously avoided major structural change during my tenure as Secretary of Defense. I, for one, do not believe that the issues confronting DOD can be resolved by revolutionary restructuring, as some of our critics would have us believe. I feel confident that DOD is one of the best managed departments of Government. There is frequently a tendency on the part of some managers to meet new issues and challenges by reorganization, by simply reordering the boxes on the organizational chart. That may provide viable evidence of action; more frequently than not it is an indication of management's unwillingness to confront the real problems of the organization. I believe that it makes little sense to change structure unless the fundamental values, objectives, and strategy of the organization have changed. Accordingly, I have preferred to pursue a more evolutionary approach to the management of DOD. During this administration, we have tried to fine tune the organization that we inherited. We have focused on important functions and processes such as the acquisition process and the PPBS. We feel that experience to date indicates that our efforts have far greater potential for pay-off then that which would be derived from major restructuring.

When the Blue Ribbon Defense Report was completed, a Department-wide, detailed analysis was made of each recommendation. Those that demonstrated promise of providing management benefits and improving the overall effectiveness of the Department were implemented.

Two Deputy Secretaries of Defense were established, one of which provides day-to-day management oversight; the other provided policy direction and oversight of the intelligence function. The latter position was disestablished in 1977.

Washington Headquarters Services was established as a separate field activity in 1977 to provide administrative and operational support to the Office of the Secretary of Defense and other specified DOD activities in the National Capital Region.

A Director of Net Assessment was established in 1971 to provide a capability for assessing the threat to U.S. Security interests. This office reports to the Under Secretary of Defense (Policy).

Responsibility for DOD long-range planning was assigned to the USD (Policy). The process ensures the integration of OJCS and Unified/Specified Command inputs to a revitalized planning process.

An Executive Secretariat was established (1981) to provide support to the Secretary and Deputy Secretary and to coordinate departmental and interagency matters.

The Defense Mapping Agency was established to provide support on matters concerning mapping, charting, and geodesy.

In the area of management and procedures, substantial changes have been implemented which essentially comply with the Panel's recommendations, including:

The Planning, Programming and Budgeting System has been modified to incorporate the following features: early and continuous Secretary of Defense and Presidential involvement; expansion of the roles of the Joint Chiefs of Staff and the Military Departments in all phases; consolidated Defense guidance which addresses fundamental policy and strategy considerations; a modified joint planning process that permits improved participation of the Joint Chiefs and the Unified/Specified Commands; a streamlined program review process; Secretarial performance reviews; and reduced documentation.

The acquisition process has been modified to include: an improved long-range planning process; achievement of economic production rates; realistic cost, budget and funding figures; improved program management; increased delegation of authority and accountability to the Program Manager to reduce micromanagement from above and from outside; and other actions to reduce acquisition costs, shorten acquisition lead-time, improve weapons support and readiness, and refine the acquisition process.

A number of steps have been implemented to improve the integration of information resource management activities. The functions of information resources technology management, data element standardization, paperwork management and statistical analysis have been combined into a single organization under the Assistant Secretary of Defense (Comptroller).

We have continued to strengthen the Department's audit capabilities. We have established the Department of Defense Inspector General to coordinate Department-wide audit and inspection activities. We have also initiated a program of regular internal control reviews.

We do not concede the need for a commission or a comprehensive review of DOD organization and management at this time. During the past 13 years, DOD has undergone a number of major reviews, both externally and internally generated. Among the more publicized were the General Accounting Office study of DOD headquarters in 1976, the Defense Manpower Commission Report of 1976, and the exhaustive examinations of Defense organization and management which were conducted by Secretaries Laird, Schlesinger, Rumsfeld and Brown. During the latter's tenure, major organizational changes were implemented; concurrently three major organization studies were undertaken as part of President Carter's Reorganization Project. Upon entering office, I initiated a number of organizational and management changes, including studies of the acquisition process and the DOD Planning, Programming and Budgeting System. As I mentioned in my statement, these efforts have resulted in substantial continuing benefits for the department. More recently, President Reagan chartered the President's Private Sector Survey on Cost Control (PPSSCC) under its Chairman, J. Peter Grace, to review, among other things, DOD organization and management and to provide recommendations for change. The results of that effort are currently under review.

PRINCIPLES AND STRUCTURES FROM PRIVATE BUSINESS

Senator JACKSON. Mr. Secretary, you served in a high management position in a very successful private corporation prior to assuming your present position. In your judgment, are there any organizational principles or structures that you encountered in the private sector that should be adopted or applied in the Department of Defense? What are these principles or structures? Why have they not been adopted or applied in DOD?

ANSWER. I, for one, do not believe that there are marked differences between public and private sector management structures and procedures. The functions, principles and procedures for effective management in the public sector tend to be congruent with those that one would find in operating a business enterprise. The real differences tend to revolve around the long-term, contentious nature of the issues with which we have to deal in Defense, their relative uncertainty, and a variety of different external constraints. Accordingly, I would suggest that one needs a higher tolerance for ambiguity and uncertainty in the public sector.

I have, for the most part, been pleased with the quality of management and managers that I have encountered during my government service. On the whole, given its size and complexity, DOD is a well-managed organization.

In many ways, the private sector can and has learned substantial lessons from management innovations introduced by DOD, including, for example, innovations in complex program management, ADP and other areas. The scope of this cross fertilization and the fact that many of our current managers are from private industry provides a strong indicator of the similarity between public and private sector management techniques.

QUESTIONS SUBMITTED BY SENATOR CARL LEVIN, TO SECRETARY OF DEFENSE CASPAR WEINBERGER, WITH OFFICIAL REPLY BY THE DEPARTMENT OF DEFENSE

Senator LEVIN. Did the Joint Chiefs of Staff advise the President that prior military maneuvers in Latin America were on a much larger scale than the one currently under way?

ANSWER. The President has been briefed on aspects of previous military exercises in the Caribbean Basin. Prior to AHUAS TARA II, U.S. Forces participated in AHUAS TARA I (February 1983) in Honduras, an exercise of 5000 troops including 3400 Hondurans. That same month the United States conducted KINDLE LIBERTY 83 in Panama, an exercise consisting of 11,400 participants including over 300 Panamanians. Also UNITAS XXIV began in July 1983 and will continue through December 1983. UNITAS XXIV is a maritime exercise involving sequentially, armed forces of Venezuela, Colombia, Ecuador, Peru, Chile, Uruguay, and Brazil with U.S. naval, air, and land forces—on the average of upward of 2,000 personnel will participate at any one time with United States contributing on the average of 1,600.

PRICE REDETERMINABLE BASIC ORDERING AGREEMENTS

Senator LEVIN. The Inspector General's draft report outlines and details the use of Basic Ordering Agreements with Price Redeterminable Contracts. Is the Department of Defense continuing to use this type of contract in spare parts purchases? If you have seen fit to halt the use of these arrangements at some facilities, why allow them at any facilities?

ANSWER. DOD has moved to severely restrict the use of price redeterminable contracts. In most instances, new contracts will be on a fixed price or fixed incentive basis. The redeterminable type contract will not be used unless it is to the advantage of DOD and approved by the head of the procuring activity. In addition, actions are being taken to modify, where possible, existing basic ordering agreements to eliminate the redeterminable provisions.

GRACE COMMISSION RECOMMENDATIONS

Senator LEVIN. Earlier this month, the long awaited President's Private Sector Survey on Cost Control study was released. In it the Commission outlines scores of concrete proposals for saving money in the Defense Department. Could the Department of Defense comment on how or whether each of these recommendations should be implemented?

ANSWER. As I indicated in my statement, we are reviewing all the recommendations in the four reports on DOD. We will come forward with those recommendations we feel should be implemented and where we need the help of Congress to move ahead.

REPRIMANDED CONTRACTING OFFICERS

Senator LEVIN. According to your press conference on July 18, there were at least three reprimands of contracting personnel as a result of these spare parts price problems. What regulation did these personnel violate? Could you supply for the record, just what rule, regulation, or statute these individuals might have broken in order to be reprimanded? Secondly, is it true that one of these individuals was unaware of his reprimand until hearing about your press conference?

ANSWER. All three individuals were disciplined based on the exercise of poor judgment in connection with the guidelines contained in the Naval Supply Command Manual, Volume II, paragraph 22002, "Procurement of Nonstandard Material". This paragraph provides guidelines on the procurement of spare parts outside of the Navy supply system when those parts exist within the Navy supply system.

It is true that one of the three individuals did not know of the proposed disciplinary action prior to the announcement by the Secretary.

JCS REORGANIZATION

Senator LEVIN. General Edward C. Meyer, U.S. Army Chief of Staff, recommends changes in the organization of the Joint Chiefs of Staff in his article, "The JCS—How Much Reform is Needed?" *Armed Forces Journal International*, April 1982. What is the Defense Department's position on General Meyer's recommendations?

ANSWER. I consulted with the JCS on this, including General Meyer. It was their opinion, and I agree, that General Meyer's proposals were not necessary in light of the changes we have enacted and those we have ongoing—to include legislation we submitted on 18 April 1983.

As to the specific aspects in his proposals: General Meyer's proposal focused on three problem areas: dual-hatting; its derivative—JCS absorption in strategic direction in wartime; and the role of the CINCs in peacetime decisions affecting their operational capabilities. Since General Meyer made his assessment, considerable effort has been made within DOD to improve the way we do business. For example, the CINCs have become more intimately involved in matters affecting their commands. The CINCs have briefed the last two review sessions of the Defense Resources Board. Likewise the CINCs have briefed their warplans to the JCS. These and other initiatives redressed shortcomings pointed out by General Meyer.

On the question of dual-hatting, General Meyer looked at one side of the coin. The other side is that the JCS are better advisors because they are intimately involved in the programs of their Service. The perspective they bring to each arena—the JCS and the Service—is an incalculable asset. Through an undertanding of Service programs, JCS members are better advisors in their JCS role. The President and I see this in our frequent contacts with the JCS.

As for the transition to wartime, when JCS members might spend most of their time on strategic direction of the combatant commands, they will still need to know what is happening in their Services in order to arrive at sound decisions. In this regard, a stronger Joint Staff—as provided for in the Administration's legislative proposal—will assist the JCS in peace and war. This strengthened Joint Staff will also be in closer contact with the Service staffs.

In sum, we are addressing the problem areas identified by General Meyer and satisfactorily solving them.

PREVIOUS JCS REFORM PROPOSALS

Senator **Levin**. In hearings before the Senate Armed Services Committee dated December 16, 1982, entitled "Structure and Operating Procedures of the Joint Chiefs of Staff", reforms are proposed by General David Jones (see pp. 13–25); General Maxwell Taylor also presents his proposals (see pp. 25–34) what is the Defense Department's position on each of General Jones' proposals? What is the Defense Department's position on each of General Taylor's proposals?

Answer. The thrust of General Jones' testimony on December 16, 1982 with regard to JCS reform focused on the need to provide better military advice to the Secretary of Defense and President. General Vessey and the current Chiefs are acutely aware of their duties and responsibilities in this regard. They have developed a close working relationship among themselves and with me. Further, we consult regularly as a group with the President.

I can answer for myself and, I believe, for the President when I say that advice from our military advisers has been both timely and good; and it has the prospect of getting better as the JCS move to better fulfill their duties under Title 10. I agree with the Joint Chiefs' assessment that improvements can be made. Many are underway and others are being examined now.

General Taylor recommended dissolution of the present JCS organization, freeing the Chiefs of their joint responsibilities and establishment of a Joint Military Staff, under the National Command Authorities (NCA) headed by a Chief of Staff who would be the senior officer of the armed forces. As mentioned in previous responses this would separate the advisory function from the responsibility function. The Service Chiefs are in the best position to establish priorities and make choices among competing needs and to avoid the luxury of theoretical solutions at unacceptable costs. Moreover, the President and Secretary of Defense would be less likely to hear in person the views and concern of the Service Chiefs who have the responsibility for organizing, training, and equipping the forces for use by the unified and specified combatant commands.

REPORTS RECOMMENDING JCS CHANGES

Senator **Levin**. Each of the Reports listed below recommends changes in the organization of the Joint Chiefs of Staff. What is the Defense Department's position on each such recommendation? Wherever two or more Reports overlap in making the same recommendation, that recommendation need be addressed only once. But, please state (a) the recommendation and (b) which Reports concur in making it. The Reports follow:

Apr. 1958—President Eisenhower's Reorganization Plan.

Dec. 1960—Symington Study on Reorganization of the Department of Defense (prepared for President-elect Kennedy).

Jul. 1970—Blue Ribbon Defense Panel (Fitzhugh) Report.

Jul. 1978—Steadman Committee Report on National Military Command Structure.

Sep. 1979—National Security Policy Integration (Odeen) Report.

Feb. 1982—Two Separate Reports of the Chairman's (of the JCS) Special Study Group.

Answer.

Eisenhower reorganization plan, 1958

Recommendation	*DOD position*
1. Clear command channels from President and Secretary of Defense to unified commands (eliminating Military Departments as executive agents).	Implemented, DOD Reorganization Act of 1958.
2. JCS to serve as staff assisting the Secretary of Defense in exercise of direction over the unified commands.	Implemented, DOD Reorganization Act of 1958.
3. Increase size of the Joint Staff, eliminate the joint committee system, and add an integrated operations division.	Implemented, DOD Reorganization Act of 1958, and Joint Staff reorganization.

Symington study, December 1960

Recommendation	*DOD position*
1. Reconstitute the JCS so that CJCS (redesignated Chairman of the Joint Staff) would be the principal military adviser to President and Secretary of Defense and Chairman would preside over a group of senior officers to be known as Military Advisory Council.	Did not support.
2. Enlarge the Joint Staff	Did not support.

Blue Ribbon Defense Panel (Fitzhugh) Report, July 1970

Recommendation	*DOD position*
1. Reassign JCS responsibilities to serve as the military staff in the chain of command to the unified commands and other responsibilities related to military operations and unified commands to a single military officer (either the CJCS or some other senior military officer) who would report to the Secretary of Defense through a Deputy Secretary of Defense for Operations.	Did not support.
2. Limit the OJCS to include only the JCS and a reconstituted Joint Staff of 250 military officers.	Did not support.

Steadman Committee Report on National Military Command Structure, July 1978

Recommendation	*DOD position*
1. Improve JCS procedures to enhance military advice to the Secretary of Defense.	Implemented by internal directive.
2. Designate the CJCS as the Secretary of Defense's agent for supervising the CINCs.	Did not support.
3. Give the CJCS, supported by the CINCs, a formal role in resource allocation planning and decisions.	Implemented, CJCS made a member of the Defense Resources Board (DRB).
4. Designate the CJCS to provide military advice from a national viewpoint on program and budget issues, make the CJCS a member of the Defense Systems Acquisition Review Council (DSARC), and give the CJCS appropriate staff support to make broad program budget judgments.	Implemented, CJCS made a member of the DSARC.
5. Charge the CJCS, in consultation with the JCS and Under Secretary of Defense for Policy, with managing an annual study, analysis, and gaming program.	Annual program implemented.
6. If implementation of the above 5 recommendations did not improve JCS military advice, establish a body of National Military Advisers Independent of Service responsibilities.	Did not support.

National Security Policy Integration (Odeen) Report, September 1979

Recommendation	*DOD position*
Made no recommendations pertaining to changes in the organization of the JCS.	

Report of the Chairman's Special Study Group, The Organization of the Joint Staff, February 1982

Recommendation	*DOD position*
1. Strengthen the Director's office to enable integration of OJCS activities and more effective performance of the chief of staff function.	Implemented, position added to Director's office.
2. Create a new directorate or office reporting to Director to provie support for DRB/PPBS activities.	Implemented, Program, Budget, and Analysis Div. established in J–5.
3. Retain in J–5's function the responsibility for requirements planning, but restructure planning cycle to ensure effective interchange between JCS and the Secretary of Defense at key points in PPBS cycle.	Implemented, Joint Staff realignment, 1982.
4. Assign J–3 responsibility for development of joint operations plans and concept plans, working from strategy and objectives developed by J–5.	Implemented, Joint Staff realignment, 1982.
5. Increase J–3 staff emphasis on anticipating minor, near term contingencies.	Implemented, Joint Staff realignment, 1982.
6. Establish J–4 as focal point for mobilization planning in both logistics and manpower.	Implemented, Joint Staff realignment, 1982.
7. Establish a J–1 personnel directorate----------	Implemented, J–1 established April 1982.
8. Create a joint project management office for information and C3 systems.	Implemented, Joint Staff realignment, 1982.

Report of the Chairman's Special Study Group, The Organization and Functions of the JCS, April 1982

Recommendation	*DOD position*
1. Establish position of Vice Chairman-----------	Did not support.
2. Refine process for focusing attention of the JCS on issues of major national significance and strengthen Chairman's authority to resolve other issues.	Did not support.
3. Require the Joint Staff to brief, interact with, and prepare the Service Chiefs for JCS meetings, and to support JCS generally in resolution of joint issues they address.	Did not support.
4. Change practices and policies that result in over-emphasis on consensus-seeking "Committee" approach to development and approval of joint papers.	Changes currently under consideration.
5. Improve preparation and experience levels of Service officers assigned to Joint Staff and other joint activities.	Legislation to implement in process.
6. Involve the CINCs and their staffs in Joint Staff activities.	Implemented by direction of CJCS.
7. Strengthen the Joint Staff through an organizational realignment.	Implemented, Joint Staff, realignment, 1982.

Senator TOWER. The hearing is adjourned.

[Whereupon, at 12:02 p.m., the committee adjourned, subject to the call of the Chair.]

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